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EDITORIAL

As We See It

In broad outline at least the President's program for the next two years is before the public. It is, of course, the official program of the Republican party, although a number of proposals certainly do not find high approval in some Republican quarters. There is a rather general disposition among the Democratic members of the Senate and the House to assert that by and large it is a program largely extracted from the platforms of their party, although there are several Democrats who nonetheless are not particularly in favor of at least parts of the program as laid out by the Chief Executive.

It is a middle-of-the-road platform in the sense that it is somewhere between the wildest schemes of the New Dealers and the Fair Dealers and the heretofore revered traditions and ideas of the American people. For that reason it may for the most part command strong support from substantial elements in both parties. On the whole, it may well be the sort of program which stands the best chance of "getting through" a Congress which is composed as is the one now assembled in Washington. Whether it is one which will (or would) prove particularly good as a vote getter in 1956, we shall leave to those who are more adept in making such prognoses.

What is clear beyond all question is the fact that it is definitely a New Deal or Fair Deal type of program. The President in his State of the Union message left many important details to be worked out in subsequent messages or reports. Appraisal of precise measures must, accordingly, await more precise information, since most of these more detailed blue prints are yet to come

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Our Compulsory Old Age 'Insurance': An Actual Fraud

By CLARENCE E. MANION*
Former Dean,
University of Notre Dame College of Law
Member, Doran and Manion,
Attorneys at Law, South Bend, Ind.

Prominent legal educator and former Chairman of the Federal Commission on Intergovernmental Relations attacks the existing system of Federal Old Age Insurance and Social Security benefits as actuarially unsound, inequitable in its applications, and "a palpable fraud."

Two thousand years ago, the Latin poet Virgil warned his countrymen to beware of "Greeks bearing gifts." We need a whole chorus of Virgils now to warn the American people against the evils of bi-partisan agreement and generosity. When both of our political parties agree on everything that touches on our peace and welfare, the practical result is to destroy our protective two-party system and substitute the dictatorial one-party system. Remember that the one-party system was the hallmark of Fascism in Italy and of Hitlerism in Germany. It is now the ruthlessly enforced system in every Communist country on earth.

Clarence E. Manion

It is more than a coincidence that the Democratic and Republican parties now officially agree on a broad-gauged foreign and domestic policy, every item of which is angrily disputed amongst the American people themselves. Do you honestly believe that all Americans now favor the proposed extension of the Marshall give-away plan to Asia? Of the proposed co-existence with Communist Russia? Or to lower what remains of our tariff barriers and flood this country with products of modern European factories built with American Marshall-plan dollars and staffed

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*A talk by Mr. Manion, sponsored by the Manion Forum, South Bend, Ind., broadcast over the Mutual Broadcasting System, Dec. 26, 1954.

Economic Research And Public Policy

By J. A. LIVINGSTON*
Financial Editor, Philadelphia "Evening Bulletin"

Prominent financial editor discusses economic forecasting and inquires whether accurate forecasting produces economic stability or economic stability is responsible for accurate forecasting. Holds, despite forecasting difficulties, national policy cannot be achieved without some assumptions about the future. Finds forecasting becoming more efficient and calls for more automation and flexibility in our anti-depression program. Proposes a private independent research agency as counterpart of President's Council of Economic Advisers. Concludes government must improve existing statistics and develop others to increase understanding of the economy but warns "statistics won't supplant judgment."

To prepare this paper, I sent out a questionnaire to 76 economists and statisticians and received replies from 25. Among the respondents was Robert R. Nathan, who started off by saying: "You are a lazy bum making others work for you. However, you have done that successfully in the past and I don't blame you for continuing."

J. A. Livingston

Another of my unpaid advisers was J. Frederic Dewhurst, who declared: "You deserve the title of Mr. Questionnaire, not only because of the headache you send out every six months, but because of your circular letter. Are you trying to get everybody else to write this paper for you?"

Both Nathan and Dewhurst referred to my custom of collecting semi-annual forecasts from 50 to 60 economists. The result of those questionnaires led me to the conclusion two years ago that economic forecasters are wrong about two times out of

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*An address by J. A. Livingston at the 67th Annual Meeting of the American Economic Association, Detroit, Mich., Dec. 29, 1954.

ANNUAL REVIEW AND OUTLOOK ISSUE NEXT WEEK — The "Chronicle's" Annual Review and Outlook Issue will appear next week and, as in former years, will include personal views of Leaders in Industry, Trade and Finance on the outlook for their respective businesses and the nation's economy in general during 1955.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Voss Oil Company — Herbert E. Greene, Manager, Coburn & Middlebrook, New York City. (Page 2)

S. Morgan Smith Company—Bertram Seligman, Manager, Straus, Blosser & McDowell, New York City. (Page 2)

HERBERT E. GREENE
Manager, Coburn & Middlebrook, Inc., New York City

Voss Oil Company

The key to successful investing is the ability to purchase securities at prices substantially below their intrinsic value. Voss Oil Company has the earmarks of such a value.


Herbert E. Greene

In January, 1954 the Voss Oil Company was 18 months old. At that time the Company had 20 producing oil wells and was selling less than 20,000 barrels of oil per month. The stock was then selling for $4 per share. Eleven months later with 79 producing wells and shipments of oil running at 125,000 barrels per month, the shares are selling for 25% less. Surely many investors are overlooking a real investment opportunity.

The oil leases of Voss consist of approximately 12,000 acres of land located in Weston County, Wyoming, in an area known as the Newcastle Trend. Voss Oil Company has had remarkable success in proving up over 60% of its acreage in Weston County, Wyoming, which spearheaded an upsurge of oil activity in that State in 1953, with 215 successful completions out of 260 wells drilled.

In early December, 1953, Voss negotiated drilling contracts with the Clint W. Murchison interests of Dallas, Texas, through a Murchison subsidiary called Buckhorn Production Company.

Under terms of the agreement, all the Voss properties, with the exception of 520 acres, were turned over to the Buckhorn Production Company. The 20 producing wells were assigned to the Republic National Bank of Dallas, Texas as security for a loan of $650,000. These wells will also come under the agreement when the Republic loan is repaid which should be in the late spring of 1955. Buckhorn agreed to drill a minimum of 42 wells on the Voss properties at a cost of approximately $3,000,000. As of December 1954, 59 wells had been drilled at a cost of over $4,000,000. Of the 59 wells drilled, 58 were commercial producers.

Buckhorn agreed to market the production from the property. Commencing July 1, 1954 sales of oil advanced from 20,000 barrels monthly to 120,000 barrels monthly.

Oil produced in this area is a green Pennsylvania type crude, gravity varying between 41 and 51 degrees and presently nets $2.46 per barrel after pipe line expenses. All Weston County oil is gas driven and considerable additional income should be derived when as and if the gas and oil are separated.

The cost of developing and operating the properties are to be repaid by Voss from 90% of the net proceeds from the sale of oil from wells drilled by Buckhorn. After Buckhorn is paid in full, 17/18 of the property interests revert to Voss Oil Company and Buckhorn must repay 1/20 of all future development costs.

Until such time as the properties are turned back to Voss by Buckhorn, Voss will receive as a royalty, 10% of the net income from the properties.

The Murchison interests own the Plains Pipe Line which carries the oil to the Platte Pipe Line. Since the acquisition of Plains Pipe Line its delivery capacity has been expanded from 12,000 barrels to 30,000 barrels daily.

Platte Pipe Line (owned by Gulf, Sinclair, Pure, Ohio and British American Oil Cos.) runs from Northwestern Wyoming to Wood River, Illinois. It commenced operations in 1953 with 95,000 barrels daily capacity. This has since been increased to 195,000 barrels daily.

Service Pipeline, a subsidiary of Standard Oil Company of Indiana, handling 178,000 barrels daily, has just added a 625-mile line from Laramie, Wyoming, to Fremont, Missouri. This was completed in 61 days at a cost in excess of $50,000,000. The Voss properties are located about 110 miles from Laramie. An extension will no doubt be completed in the spring.

Three geological reports have been made on the oil reserves of Voss Oil Company. Two independent geologists in 1953, reported oil reserves respectively of 23 million and 25 million barrels of oil in the Voss leases.

On May 1, 1954, Jack P. Hays, independent consulting geologist, and petroleum engineer, of Dallas, Texas prepared an estimate of the Company's reserves and submitted the following summary:

	Barrels
Primary recovery from 7,300 proven acres	23,300,000
Esti. additional recovery from pressure maintenance and secondary recovery	19,980,000
Primary recovery 4,700 semi-proven acres	14,100,000
Total future recoverable reserves	51,380,000

Since this report was made, 45 additional wells have been completed.

Capitalization of Voss Oil Company is simple, 3,580,000 shares of capital stock.

The expansion of Pipeline facilities should permit Voss to market all the oil it can produce which at the present time is 7,000 to 8,000 barrels per day. Assuming a delivery of only 6,000 barrels per day by mid-year 1955, Buckhorn should recover its expenditures in 18 to 21 months.

There is plenty of room for growth in the Company. With its able and competent management it is purposeless to project ultimate price levels for these shares. I am satisfied that as an oil equity, I am buying the "mostest for the leastest."

The stock is traded in the Over-the-Counter Market and is currently selling at $3 a share.

BERTRAM SELIGMAN
Manager, Straus, Blosser & McDowell, New York City, Members New York Stock Exchange

S. Morgan Smith Co.

If all the turbines that have borne the S. Morgan Smith name plate were to produce around the clock at full rated capacities, they could develop power to generate 21% of all the electricity this country uses. This 77-year old firm is probably the largest manufacturer of hydraulic turbines in the world.


Bertram Seligman

Founded 77 years ago by Steven Morgan Smith, the company has specialized in hydraulic turbines since its inception. Whereas turbines are only a small part of the total volume of its three competitors in the field — Baldwin-Lima-Hamilton; Allis-Chalmers; and Newport News Shipbuilding — they are "bread and butter" to S. Morgan Smith.

Its three competitors go in mainly for the large turbines and in this end of the business the volume is fairly equally divided. Whereas, S. Morgan Smith holds the unique position of being the only maker in the United States of turbines of all types and sizes from the smallest to the largest. The company has under construction for the Chief Joseph Dam, six giant turbines of 100,000 horsepower each, to cost $4.2 million.

Earnings Up Sharply

Sales have been growing steadily. Sales in 1953 were some 2½ times as large as in 1949. Earnings in the same period increased from $1.90 in 1949 to $3.24 a share in 1953. Earnings for 1954 should be favorably influenced by the addition of larger and more efficient production facilities and the elimination of the Excess Profits Tax.

In the six months ending June 30, 1954, S. Morgan Smith billed $10.2 million on which it earned a pre-tax profit of $5.60 a share. Net earnings (after taxes) equalled $2.56 compared with $1.87 a share in the similar period of 1953.

The company's long earning and dividend record attest to its sound management policies. Profits were earned in all but two of the last 57 years and dividends on its capital stock have been paid in every year since 1898.

Dynamic Developments Ahead

It is predicted that the installed generating capacity of hydraulic turbines will double in the next decade. If the prediction proves correct, S. Morgan Smith is on the threshold of ten years of expanding business.

Under the present Federal power policy, many Federal-Local partnerships are in the process of development. There is the pending development of 96,000 k. w. on the Santiam River, Oregon; another with Portland General Electric for over a million k. w. on the Columbia River. The Pacific Northwest area has created a five-utility company to develop hydropower in that area. The Interior Department has agreed to help out on an 81,500 k. w. project on the Stanislaus River in California. A number of other part-

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No One Ever Goes Home After Winning the First Race

By JACQUES COE
Senior Partner, Jacques Coe & Co.,
Members New York Stock Exchange

Market economist, while citing factors making the stock market "very high and dangerous," holds public's boom psychosis and speculative appetite will forestall bull market's end until the end of 1956. Concludes before the "getting out" period arrives, brokers' loans will increase by at least another billion dollars; margins will be raised further; odd lot investors will be buying on balance; there will be a rush of new issues, increased capitalizations, and stock-splits, with a plateau of higher prices.

Timing is such an essential part of every kind of endeavor—whether it be baseball, golf, musical chairs or the stock market. To quote from Hugo von Hofmannsthal's "Book of Friends": "Knowledge is little; to know the right context is much, to know *the right spot is everything.*"


Jacques Coe

In this spirit, we have taken out of the context of a half a dozen or more "fear patterns." certain danger spots which (standing by themselves and unsupported) make a formidable case for any potential bear. But placed alongside certain technical factors (in particular, brokers' loans, the speculative tempo of the public and other matters) the bulls remain in full charge for the immediate present and future.

Human nature being what it is, one should not be accused of undue cynicism if all-out emphasis is placed on the fact that the public (using an all-embracing expression) has been "taking home" substantial stock market profits during the last few months of 1954. It necessarily follows, therefore, that public participation in the stock market during 1955 will be on a larger scale than ever.

To use a homely but most descriptive phrase — "No one ever goes home after winning the first race."

Tender Spots

Some of the tender spots—which plague the classicists—are valid in principle but not acceptable psychologically.

The recent stock price trend has outstripped the trend of profits and dividends. The widening gap since 1949 represents a revised concept of corporate dividend-paying ability. Since the 1949 lows, yields have dropped from 7% to 4½%—most of the shrinkage taking place in November and December of 1954.

If these yields are unworthy and money rates eventually harden, many leading issues could be in dangerously overpriced territory. If an overall acceptance of a permanent plateau of easy money becomes an *"idee fixe"* — then we could wallow in the stratosphere of false security for another 12 to 18 months. We believe money rates definitely have passed their soft stage and will harden before many months have passed.

A large volume of municipal and state financing should follow the President's highway program, and supply of tax-exempt securities competing for the investors' savings will increase. Eventually the Treasury may attempt long-term offerings at higher interest rates. There is no more effective way to bring about an abrupt halt to smugness of permanent low yields!

Political and currency stability over a period of time invites foreigners to *repatriate* large amounts of capital presently invested in the United States. At the end of 1953, foreign assets and investment in the United States were estimated at close to $24 billion, of which nearly $4 billion were invested in equity securities. Even a fractional withdrawal of that amount for reinvestment at home could throw a heavy burden of liquidation on our security markets. This "iffy" is mentioned because of the ostrich-like attitude of many of our narrow-visioned bulls.

Capital gain taxation is not likely to change for the present. Many who hesitated to register sales near the end of 1954 (because 25% of the "profit" over book cost would be confiscated within a few months) might decide to accept the tax liability early in 1955, knowing that then they would have the use of the full amount of their capital released by the sale for at least a year longer. Last week's sharp three-day correction was an illustration.

The Value Line commentary "The Seeds of Trouble," December, 1954, ably discusses these sobering factors.

Mutual Fund Influence

Then it refers to the influence of mutual fund trusts on the stock market: "Comparing the first nine months of 1954 with the same period of 1953, share redemptions by shareholders in open-end investment companies increased 65%, whereas sales of new shares expanded only *16%*. One reason for the slowing down of trust share sales relative to redemptions is to be found in the low yields on stocks of popularly accredited investment quality. The average as well as the typical yield on open-

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The Electric Industry in 1954

By HAROLD QUINTON
President, Southern California Edison Company
President, Edison Electric Institute

Recalling that 1954 marked the Grand Jubilee of the electric light, spokesman for electric utilities notes also that it was a notable year for the industry. Reviews hydro-electric and other progress in the electric industry as well as atomic power developments. Points out there have been striking gains in operating efficiencies. Forecasts for the future a three- to four-fold increase in use of electric energy by 1975.

Nineteen fifty-four was a notable year in the electric industry. The Diamond Jubilee year of the electric light, it marked 75 years of amazing growth and change since Thomas A. Edison's great discovery. The industry's 50 millionth customer was added in January. The five millionth farm was connected up for electric service a few weeks later. On the very anniversary day of the incandescent lamp, Oct. 21, the country's 100 millionth kilowatt of generating capacity was put into operation at the St. Clair, Mich., plant of The Detroit Edison Company.

Harold Quinton

More new generating capacity was added than ever in the country's history—11.5 million kilowatts of capability, well above the previous high of 10.1 million kilowatts in 1953. The year 1954 saw the biggest output of electricity.

Atomic Power Developments

Ground was broken, Sept. 6, at Shippingport, Pa., for the nation's first full-scale power plant which will use atomic fuel. Duquesne Light Company will finance and build the generating portion of the plant. Westinghouse Electric Corporation will build the nuclear reactor, under contract with the Atomic Energy Commission and Duquesne Light Company will operate the entire plant.

Many groups of power companies in different sections of the country, including the Pacific Northwest, were actively studying atomic power developments with a view to proceeding with such undertakings as fast as circumstances warrant.

Higher Pressures—Larger Generators

The projected building of the first 5,000 pounds-per-square-inch and 1,200 F steam boiler was announced by the Philadelphia Electric Company, and the projected building of the first 300,000-kilowatt generator was announced for its River Rouge Plant by The Detroit Edison Company.

Companies Go Forward in Hydro-electric Developments

Congress acted to permit the Alabama Power Company to obtain a license from the Federal Power Commission to build five hydroelectric plants on the Coosa River with 360,000 kilowatts of capacity to take the place of proposed future developments on this river by the Federal Government. A group of four companies in the Pacific Northwest combined and obtained from the Federal Power Commission permits to prepare plans for the development of two large hydroelectric projects on tributaries of the Clearwater River. This group has also requested permits to study developments on the Snake River below Hells Canyon, where the Idaho Power Company is now applying for a license to build three large hydroelectric plants.

Power companies in the Northwest are seeking participation with the Federal Government in the development of sites on the Columbia River. In other parts of the country licenses or preliminary permits have been obtained or are being sought from the Federal Power Commission for hydroelectric developments.

AEC-MVGC Contract

Another significant development of the year was the signing by the Atomic Energy Commission and the Mississippi Valley Generating Company, formed by Middle South Utilities, Inc. and The Southern Company, of a contract for the latter to build a plant at West Memphis, Ark., to supply 600,000 kilowatts for that Commission. Although this was the third such contract developed by privately-owned power companies, it was the first to meet strenuous opposition. This opposition, as it turned out was plainly motivated by the fear by proponents of continued expansion into the commercial power business by the Federal Government that the contract would jeopardize further appropriations from the Federal Treasury to pay for added steam generating capacity for TVA.

Companies Ask Removal of Legislative Inequities

Another development of the year was the presentation by investor-owned power companies at hearings before a Task Force of the Hoover Commission, asking for the removal of serious inequities in Federal legislation discriminating against their customers. Particularly, relief is being sought against discrimination in tax legislation which requires one class of American citizens, the customers of investor-owned power companies, to share the heavy cost of the Federal Government through their electric bills and exempts another class, those served by governmental power agencies, from sharing in this cost through their electric bills. The tax law as it now stands constitutes a heavy and an unjustifiable discrimination against free enterprise.

Striking Gains in Operating Efficiencies

The continuing gains in operating efficiencies of electric companies were strikingly demonstrated during the year. As one example: out of the same size coal pile used by the electric industry last year the industry produced 28 billion more kilowatt-hours than in 1953, an 8.2% gain. This amount gained from efficiency improvement is equal to more than half of the total kilowatthour production 30 years ago.

Generating units on the average have doubled in capacity over prewar installations. This has been an important factor in keeping down unit costs.

Forecast for the Future

The industry's Diamond Jubilee year also produced an extensive survey and forecast for the future which indicates that by the year 1965 demand for electric power will be double that of today, and that by 1975 a three- or even four-fold increase in the use of electric energy by the homes, farms, stores, and factories of our nation is expected.

To keep up with increasing electrical demand, the survey indicates the industry must plan to add from 7,000,000 to 12,000,000 kilowatts of new generating capacity each year between now and 1965. After 1965, the requirements for new capacity to take care of load growth may be from 11,000,000 to 24,000,000 kilowatts a year.

The survey estimated that generating plants using atomic energy as fuel will total one to two million kilowatts of capacity within the next 10 years, and that by 1975 we might have from 40 to 65 million kw of atomic power plants, of an expected total capability of 301 to 423 million kw of generating capability.

Electricity Generation

Generation of electricity by the entire electric industry (companies, cooperatives, and governmental agencies) was 471 billion kwhr in 1954, an increase of 29 billion over the preceding year. An additional 73 billion kwhr was produced by industrial and railway plants, bringing the grand total to 544 billion kwhr produced in the United States.

Construction—Power Supply

Eleven and one-half million kilowatts of generating capability were added during the year. This record-breaking total exceeded all installations made during the whole of the 10 years preceding the outbreak of the second World War. Of the total, 8,100,000 kw was installed by the investor-owned companies and the remainder by cooperatives and governmental agencies. The new installations brought the total installed generating capability of the industry at the end of 1954 to approximately 107,000,000 kw.

For the country as a whole the gross margin between generating

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A moderate rise occurred in total industrial production in the period ended on Wednesday of last week over that of the preceding week. Compared with the like period a year ago, it was about 5% higher. Substantial gains were noted in the manufacture of steel, and the awarding of heavy construction contracts appeared large as compared with the curtailed activity during the Christmas week.

Reports on claims for unemployment insurance benefits indicated recent slight gains in joblessness, but comparisons with figures of a year ago were more encouraging. Initial claims recorded in the week ended Dec. 25 were 1% higher than in the previous week but 12% below that total recorded a year earlier. Continued claims filed in the week ended Dec. 18 were 1% higher than in the preceding week and 14% above the 1953 comparative. Inventory shutdowns and seasonal layoffs in the apparel and construction industries contributed to the weekly increases.

Retail trade volume rose sharply in December lifting the level for the full year to record peaks. Sales last month rose to $18,000,000,000, up $1,500,000,000 from December, 1953, the United States Department of Commerce reported. This brought the 1954 aggregate to $170,800,000,000, an increase of $100,000,000 over the previous high in 1953. The figures based on a survey of 1,800 retail firms, operating 37,000 stores.

The steel gray market is back, according to "The Iron Age," national metalworking weekly, this week. So far only products affected are cold-rolled sheets and galvanized sheets, and it appears unlikely that the profit taking through unusual distribution channels can continue for more than a few months. But there's no doubt that the "fast buck" brokers, who don't usually deal in steel, are back in the market.

It's the same old story—of desperate consumers, caught short in the tight market for these products, willing to pay a premium price to get what they need. When this condition exists, there are always alert entrepreneurs ready and able to find and resell the steel—at a price.

This trade authority has learned that other-than-usual sources are in the market for rejects and seconds in cold-rolled and galvanized sheets. For the customer who can't fill his requirements from regular mill sources, the premium for this secondary material may run about $10 a ton. Normally, it sells for substantially less than regular mill prices—if it is sold at all. Mills frequently remelt it as scrap to keep it off the market.

Working to the advantage of the gray market operators now is the better balanced condition of the mills today. Steel ingot and finishing capacity have been dovetailed to the point that conversion arrangements are hard to make. Holder of a supply of finished material—even seconds and rejects—is in a better position to make a killing.

The gray market had plagued the steel industry chronically from World War II until industry expansion and easing demand caused it to expire in 1953, observes this trade magazine.

Domestic car and truck makers opened 1955 last week with a 173,481 production total that tied the 84-week record of 173,833 set in mid-December.

"Ward's Automotive Reports" said the week's volume averaged out to 24 vehicles each minute of a 24-hour day, or 1,442 every hour around-the-clock.

Passenger car assembly alone, "Ward's" stated, was scheduled at a 216-week high of 152,221 units, swelling the industry's run of 1955 car models to 1,464,000.

The last time United States car output reached the current week's level was in 1950 with a total of 154,270 at the close of October.

The statistical agency described prospects for continued car output in January at December's 50-month peak level of 641,973 as distinctly favorable, stating: a buying surge of surprising proportions pushed December new car sales up above the 1954 peak of 560,000 units retailed in June, holding dealer inventories on Dec. 31 fully 25% below a year ago.

"Ward's" observed that Buick, Pontiac and Cadillac each scheduled new record assemblies the past week, giving General Motors 49.1% of the industry's total program. Taking another

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Observations . . .

By A. WILFRED MAY

THE MARKET "EXPLANATIONS"— AND FORECASTING

Scrutiny of the recent popular "explanations" of decisive market movements, on both the up and down sides, highlights the insuperable difficulty of timing price changes—major or minor.

Let us first examine *seriatim* the leading reasons given for the market's great rise, with its 50% superstructure added in 1954, in current commentary, (including that in a featured section of one of the top mass-circulated weekly periodicals):—

A. Wilfred May

Confidence in the capitalistic system, and the permanence of private enterprise.

But this was also present in 1949 when the price of leading stocks (D-J Average) was 50% lower; and certainly after the Republican victory in November, 1952, following which prices nevertheless for a long time remained 35% lower than now.

Our expanding economy, with new and growing industries.

But this has been the case ever since the end of World War II—with the recognized promise of atomic energy likewise not operating to raise the much lower stock markets.

Emphasis on scarcity value of "the good stocks" through demand from mutual fund, pension plan, and other periodic stock-purchase arrangements.

Actually, mutual fund sales have been at a very high level for many years. The expected impact of liberalized institutional and trust fund buying on the oversupply and prices of common stocks was ceaselessly heralded with "Prudent Man" legal relaxation, as in New York State in 1950. But thereafter, the market nevertheless stubbornly remained 30-50% lower than now. In those former years of desultory markets, the emphasis was on the scarcity of demand due to tax emasculation of investor income rather than on scarcity of supply—such oscillations having prevailed ever since 1925.

High production and good business.

But in 1954 the total output of goods and services was down 2½% from 1953; capital expenditures down 6%; FRB production index down as much as 10%; housing down 12% from 1950—with stock prices 30 to 50% lower in the prior years.

Actual and standby economic support by politically-conscious Federal Government; as evidenced in the highway program.

This, too, is "old stuff," effective Government *kibitzing* having been assured by Economic Brains-Trusting Chief Arthur Burns constantly since the Spring of 1953 (with the D-J stuck down at 260).

"Inflation" fears—or hopes.

But midst the cost-of-living rises, actual and prospective, that followed World War II, stock prices rose not at all. And even as adjusted for changes in the purchasing power of the dollar, stock prices remained stable between 1951 and 1953, only to spurt suddenly and belatedly a full 40% during the single year, 1954.

Good corporate profits, advantageous earnings and dividend yields.

But corporate profits in 1954 fell 1½% below 1953; and the concurrent 35-45% rise in industrial stocks entailed a 30% drop in leading stocks' price-earnings' yields during the single year. During the past 12 months the price-earnings ratio of Barron's 50-stock average rose from 9.8 to 14.4, and the earnings yield declined from 10.2 to 6.95.

In short—granting the logical validity of the various elements supporting the current market structure, still there is no explana-

Continued on page 6

Capital Gains Not a Return of Original Capital

By CHARLES L. HUGHES

Investment Counsellor, Fargo, North Dakota

Commenting on the widespread misunderstanding regarding the status of capital gains on common stocks, Mr. Hughes states this is due to misapplication of the term, "unearned increment." Says large part of increased value of common stocks may be due to retained earnings on deferred dividends, and is therefore not a return of capital. Gives data regarding reinvestment of earnings by a number of corporations to show that realized capital gains are, in effect, delayed income.

There appears to be widespread misunderstanding regarding the status of capital gains on common stocks.

Charles L. Hughes

Many otherwise well-informed persons have accepted it as fact that all such profits are a return of capital. Actually this could not be further from the truth, particularly in recent years.

The writer believes that this misunderstanding is the result of the misapplication of the term unearned increment. According to Richard T. Ely, a noted economist, "The increase in the value of land which accompanies the increase in the income-yielding power is often called the unearned increment. The phrase suggests that the increase in land values cannot be attributed to any special effort on the part of the owners of the land, but is due to general causes." In another portion of his book, "Outlines of Economics," he points out that one of the things that contributed to the greater earning power of the land was the opening up to use by new railways. Obviously such increased earning power was not to any degree produced by the effort of any one individual landowner.

For some individuals a proper determination of true income and capital gain is only academic but to others it is very important to their peace of mind that they be satisfied that they are not living up their capital. In the case of many trusts, however, it is very important because in many of these cases the income and the capital go to different persons.

It should be admitted that unearned increment such as mentioned by Professor Ely should be treated as capital gain rather than income, particularly if held in a trust where one person gets the current income and someone else gets the capital at a latter date.

This is not currently the most common cause of capital gain, however, and it is to the more numerous and more common forms of capital gain that this article will be directed.

An entirely different situation grows out of the treatment of earnings of different companies. One company may earn $10 per share and in an extreme case might pay out $10 in dividends. A second company earning the same amount might choose to pay a dividend of only $5 or $6 and reinvest the balance in the business, thus increasing the manufacturing or distributing facilities, enlarging the inventory or applying it to any of several productive uses in the same business.

Obviously the whole $10 is earnings and the owners of the common stock are entitled to all of it in the form of a dividend, but the stockholders, acting through their directors, may prefer to enlarge company's facilities and future earning power, thus deferring the receipt of the current earnings.

In the case just cited, if all goes well, the shareholder will receive the balance of the earnings in the form of increased value of his stock, reflected in some future market price. A subsequent sale of the stock should reflect an increased price at least equal to the withheld earnings. In that case a part of the sale price is (1) return of original capital, (2) another part is delayed income from preceding years (withheld income), (3) and if there be any additional it would be unearned increment.

In this situation all three, under present court rulings, belong to the remainderman if held in a trust of this type. It is with item 2, however, that we take exception to these rulings and most certainly, in the case of individual ownership, where the same person receives both the income and the capital and capital gains, if any, he need not consider item 2 a return of capital as will be explained in subsequent paragraphs.

From a tax reporting standpoint, of course, both items (2) and (3) should be treated as capital gain because it is received in the form of an increase in the value of the original investment instead of a dividend.

It should be noted that not all companies are in a position, profitably to retain large portions of current earnings. True growth companies can do it profitably and in many instances can make more on the retained earnings than on the original capital.

Tendency to Withhold Dividends

With the tendency of modern corporations to withhold larger portions of the income, this is much more than an academic question today as evidenced by the following table which records earnings and market records for the past 15 years of five public utility companies:

Company—	% of earnings reinvested 1939-1953 inclusive	Market increase same period
Commonwealth Edison Co.	25.15	26.7
Consolidated Edison Co.	18.68	42
Pacific Gas & Elec. Co.	10.78	21
So. California Edison Co.	29.88	35.8
American Tel. & Tel. Co.	11.14	— 3
Average per Company	19.13	24.5

The market increase of these companies, on average, was slightly more than the reinvested earnings but not to any great extent. The public utility companies were, by no means, the only ones whose businesses were being expanded from current earnings as you will see from the accompanying data for five railroads:

Company—	% of earnings reinvested 1939-1953 inclusive	Market increase same period
Atch. Topeka & S. F. Ry.	212.25	500
Great Northern Railway	217	110
Pennsylvania Railway	113.52	7.1
Southern Railway	507.71	417
Union Pacific Railway	118.35	131
Average per Company	233.76	233.0

No effort was made to select carriers with unusual records but rather, an effort was made to choose representative roads in all parts of the United States. The market increase of these companies, on average, was slightly less than the reinvestment even though the plowback of earnings

Continued on page 35

Bendix Progress and Profits

By IRA U. COBLEIGH
Enterprise Economist

A 1955 look at this diverse and distinguished electronic enterprise, now in a position to accord its shareholders more bountiful dividends.

Electronics, together with nucleonics and plastics, are the darlings of the "growth" fanciers of finance. Well, in recent weeks we've given some coverage to the last two, so today we present a New Year's salute to Bendix Aviation Corporation. Bendix this year (fiscal year ends 9/30) should rack up the highest share net in its history and, both in respect to cash dividends, and to the proposed 2-for-1 split (to be voted on Feb. 23), give shareholders new reasons to be grateful for their investment devotion to this impressive equity.

Ira U. Cobleigh

In the massive electronics industry, which for 1954 grossed around $9 billion, Bendix has long been an honored name; and it has developed and retained a management echelon peculiarly effective in handling the accordion-like corporate problems connected with war expansion and postwar contraction and change. Let me illustrate. In 1944 Bendix grossed $804 million; in 1946 this total dropped to $106 million. In the ensuing eight years, gross sales have marched majestically forward, however, till they reached $638 million in 1953. For that year the per share was $7.89; for 1954 it should top $10. All this flexibility was the logical result of a program maximizing the use of leased plants and subcontractors so that the company did not wind up with an outsize plant investment, postwar, and the capital funds sequestered by this managerial prudence permitted the expenditure, in 1953, of $14 million for new plant for such non-war items as power steering and hydraulic braking systems, automotive carburetors and filters.

Sources of Earning Power

Well, how does the Bendix production panorama shape up today? What are the principal sources of earning power? Well, even though World War II is a decade past, and the Korean concluded, around 75% of sales are still on government contract, and the management expects government business to account for more than half of sales for some years to come. For defense, and retaliatory offense, Bendix turns out a whole list of aviation adjuncts: starters, generators, fuel, oxygen and ignition systems, navigational control systems, aircraft struts, wheels, and brakes, jet engine plugs, and fuel nozzles. Bendix has a vital role, too, in many components of top secret rockets and guided missiles. Then, too, many of the ground radar systems for traffic surveillance, and landing guidance are produced for CAA; plus batteries of large, long range radar units for continental defense, delivered and serviced by Bendix. Bendix research, technical know-how, and productive genius gives the company an important and continuing place in our highly scientific and electronic program for insurance of national security.

Switching to civilian output, Bendix derives sales, in the order of $100 million a year, from the automotive trade. Stromberg & Zenith carburetors have been renowned and widely popular for years. Brakes, brake linings and starter drive bearing the Bendix name are tops in the trade. More than that, Bendix pioneered in hydraulic brakes and power steering, and the increasing acceptance and specification of Bendix units by many makes of cars and trucks, augurs well for the future of this division. Plants at St. Joseph, Mich., and South Bend, Ind., have been expanded to take care of this expanding market.

Sales of Consumer Products

Somewhere between 15% and 20% of Bendix sales now come from consumer products not related to aircraft or automotive trades. The fine quality and dependable performance of Bendix radio and television sets is well known. Less appreciated is the importance of Bendix communication equipment for railways. Since 1945 Bendix has sold and installed two-way radio systems on over 40 major railway systems, thus promoting new levels of operating efficiency and safety.

The latest feature added to the Bendix line is what is called ultra-Viscoson, an electronic instrument recording with remarkable accuracy, the viscosity of liquids. This has an expanding demand and a bright future in the chemical, food and petroleum industries.

In review of the modernity and technical excellence of Bendix products, we might well quote from the 1953 report: "Few corporations in America match Bendix in the breadth of its engineering and production operations. . . . Throughout its history, Bendix has specialized in developing products which sense, actuate and control . . . a long list of devices in the aviation, automotive, communications, railroad, marine and atomic industries."

Thus we may well step back and admire the broad production achievements of Bendix: but since this is a financial and not an engineering journal, it is, by now, high time we switched over and talked not about Bendix the company, but Bendix, the common stock. It's a pretty good one, and time is doing nothing to dim its luster.

Financial Status

In the 15-year period running back to 1939 (when the company sales were only $41 million) only the declaration of a 7% dividend in stock operated to increase the outstanding common; and there are but 2,266,922 shares now, listed NYSE and selling today at 106. No bonds, no preferreds; a nice crisp, unsullied common stock equity, scheduled to be increased by the 2-for-1 split, up for shareholder vote a month hence. The only objection voiced about this seems to be that some shareholders hoped it was going to be 3-for-1, instead of 2. But after all, Bendix is famous for its two-way systems!

With 20 domestic plants, plus affiliates in Australia, Brazil, Canada and France, Bendix has wide coverage; and its 49,000 employees and 26,500 shareholders illustrate the magnitude of this unique industrial corporation.

Balance sheet position of Bendix would be satisfactory to the iciest credit man—$94 million in net working capital (as of June 30, 1954). The dividend record is assuring to present and prospective stockholders. Since 1938, some cash dividend has been paid in each and every year, the custom and practice in recent years being along the lines of a 50% payout of net. In consideration of the two new shares to be offered for each one outstanding, it looks as though a $2 per share cash dividend might be vouchsafed. Certainly current earnings would support such a declaration and the present net (around $5 for the new stock) might make even more generous a distribution possible.

Something should be said about the price of the stock—around 106—against recent all time high of 110. Is it too high, Not if you relate price/earnings to comparable industrial equities. Around ten times earnings does not create price inflation here, and with EPT past and gone, and larger segments of gross sales coming from civilian business, 1955 could for Bendix even outpace the past year.

In Bendix, as in so many prime industrial companies, we wind up with the belief that good operating results, year after year, derive importantly from sustained good management. Bet on good managements and you come up with winners, nine times out of ten. So for those of you casting about for quality shares which the market has not already deployed to an unseemly altitude, why not review the latest facts about Bendix? Its annual report should be out shortly and should present a panorama of progress, production and profit, in the best tradition of American private enterprise.

Dodge & Cox Admit Avenali, to Partnership

SAN FRANCISCO, Calif.—The investment management firm of Dodge & Cox, Mills Tower, is announcing the admission of Peter Avenali as a partner on Jan. 1, 1955. Other partners are Van Duyn A. Dodge, E. Morris Cox and Richard W. Lambourne.

Mr. Avenali was graduated from the Harvard Business School in 1941. He spent five years in the army and joined Dodge & Cox in 1946 as a research analyst. He was recently elected Secretary-Treasurer of The Security Analysts of San Francisco.

Stotler, Baker V.-Ps. Of Rowles, Winston

HOUSTON, Tex. — Roger G. Stotler and Robert Henry Baker are newly elected Assistant Vice-Presidents of Rowles, Winston & Co., City National Bank Building, Russell Rowles announced.

Associated with that company since 1946, Mr. Stotler is a native Texan and a graduate of the University of Texas. He is a member of the Houston Club.

Mr. Baker joined Rowles, Winston & Co. in 1947. A graduate of the University of Texas and the University of Pennsylvania Wharton school of finance, he is a member of the Forest Club.

Both men served as officers in the armed forces during World War II.

Rowles, Winston & Co. are underwriters, distributors and dealers for municipal bonds and corporate securities.

Continued from page 5

Observations . . .

tion of the public's failure to act on them during past periods of much lower prices; and certainly was no possible way, with foresight, of determining *when* investor psychology would translate recognition into a distinctly higher market price area.

* * *

Down-Side Rationalization

Likewise in the case of the market *down*-swing do the explanations reveal the impossibility of forecasting as to time.

Again during last week's break did we hear the "explanation" that the market had "obviously" acted *tired*. But the market had acted tired with the Dow Jones at 364 and 384, as well as at 404.

Similarly the break was attributed to genuine investors' caution aroused by the one-day 9½-point advance in General Motors on the irrational capitalization rumor—in the face of the fact that last June 28 an unfounded stock-split rumor occasioned a one-day's 12% rise in duPont from 128 to 143, but with a subsequent advance in the general market and in that stock to the 170's.

And regarding the widely-circulated margin-rise excuse for the break, it surely must be remembered that all recent margin hikes have been followed by higher, not lower, prices.

* * *

If, and after, market recovery ensues, will not the action of stocks be explained (*ex post facto* of course) as indicating technical strength instead of fatigue; stock splits, actual and rumored, as constructive for wider distribution; and margin increase as having healthily strengthened the speculative structure?

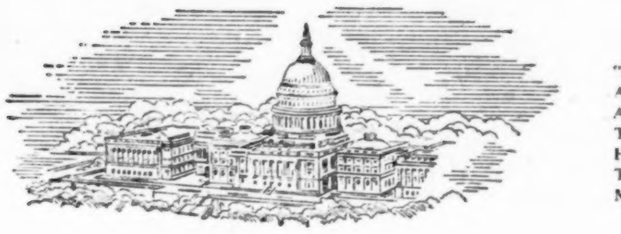
This column ventures to *forecast* that they will indeed!

NEW ISSUES

$118,060,000
New Housing Authority Bonds

The Bonds of each issue will be secured by a first pledge of annual contributions unconditionally payable pursuant to an Annual Contributions Contract between the Public Housing Administration and the Local Public Agency issuing said Bonds in the opinions of bond counsel. Said annual contributions will be payable directly to the fiscal agent of said Local Public Agency in an amount which, together with other funds of the Local Public Agency which are actually available for such purpose, will be sufficient to pay the principal of and interest on the Bonds when due.

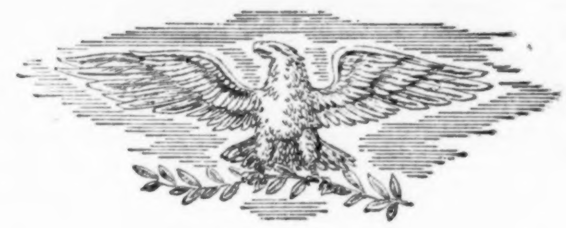
The United States Housing Act of 1937, as amended, solemnly pledges the faith of the United States to the payment of the annual contributions by the Public Housing Administration pursuant to the aforesaid Annual Contributions Contracts.



Quotation from an opinion of the Hon. Herbert Brownell, Jr., Attorney General of the United States, to The President of the United States, dated May 15, 1953:

"IN SUMMARY, I AM OF THE VIEW THAT: * * * A CONTRACT TO PAY ANNUAL CONTRIBUTIONS ENTERED INTO BY THE PHA[1] IN CONFORMANCE WITH THE PROVISIONS OF THE ACT[2] IS VALID AND BINDING UPON THE UNITED STATES, AND THAT THE FAITH OF THE UNITED STATES HAS BEEN SOLEMNLY PLEDGED TO THE PAYMENT OF SUCH CONTRIBUTIONS IN THE SAME TERMS ITS FAITH HAS BEEN PLEDGED TO THE PAYMENT OF ITS INTEREST-BEARING OBLIGATIONS."

1 Public Housing Administration. 2 United States Housing Act of 1937, as amended.



Interest Exempt, in the opinion of counsel to the Underwriters, from Federal Income Taxes by the provisions of the United States Housing Act of 1937, as amended.

Legal Investments, in the opinion of counsel to the Underwriters, for Savings Banks and Trust Funds in New York and certain other States.

Bonds Issued by Local Public Agencies which are located in:

2¼% Scale A

$15,715,000 Pittsburgh, Pennsylvania

2⅜% Scale B

$15,655,000 Los Angeles, California
4,755,000 New Haven, Connecticut
21,600,000 St. Louis, Missouri

2⅜% Scale C

$21,425,000 Chicago, Illinois
30,495,000 New York, N. Y.
$2,345,000 Norfolk, Virginia
6,070,000 Charleston, West Virginia

Maturities, Rates, Yields and Prices

	Scale A 2¼%	Scale B 2⅜%	Scale C 2⅜%
1956	.75%	.75%	.75%
1957	.90	.90	.90
1958	1.00	1.00	1.00
1959	1.10	1.10	1.10
1960	1.20	1.20	1.20
1961	1.25	1.25	1.25
1962	1.35	1.35	1.35
1963	1.40	1.40	1.40
1964	1.45	1.45	1.45
1965	1.50	1.50	1.50

	Scale A 2¼%	Scale B 2⅜%	Scale C 2⅜%
1966	1.60%	1.60%	1.60%
1967	1.65	1.65	1.70
1968	1.70	1.70	1.75
1969	1.75	1.75	1.80
1970	1.80	1.80	1.85
1971	1.85	1.85	1.90
1972	1.90	1.90	1.95
1973	1.95	1.95	2.00
1974	2.00	2.00	2.05
1975	2.05	2.05	2.10

	Scale A 2¼%	Scale B 2⅜%	Scale C 2⅜%
1976	2.10%	2.10%	2.15%
1977	2.15	2.15	2.20
1978	2.20	2.20	2.25
1979	@100	2.25	2.30
1980	@100	2.30	2.35
1981	2.30	2.30	2.35
1982	2.30	2.35	@100
1983	2.35	2.35	@100
1984	2.35	@100	2.40
1985	2.35	@100	2.40

	Scale A 2¼%	Scale B 2⅜%	Scale C 2⅜%
1986	2.40%	2.40%	2.45%
1987	2.40	2.40	2.45
1988	2.40	2.45	2.50
1989	2.40	2.45	2.50
1990	2.40	2.45	2.50
1991	—	2.50	2.55
1992	—	2.50	2.55
1993	—	2.50	2.55
1994	—	2.50	2.55
1995	—	2.50	2.55

(and accrued interest)

The Bonds of each issue will be callable ten years from their date at a call price of 104 and accrued interest, and thereafter, at the times and call prices, as stated in the Offering Prospectus.

The Bonds are being offered, subject to award, when, as and if issued and received by us, and subject to approval of legality, with respect to each issue, by bond counsel to the underwriters. The offering is not made hereby, but only by means of the Offering Prospectus, copies of which may be obtained from such of the undersigned and other underwriters as are registered dealers in this State.

Lehman Brothers — **Blyth & Co., Inc.** — **Phelps, Fenn & Co.** — **Smith, Barney & Co.** — **Shields & Company** — **The First Boston Corporation** — **Goldman, Sachs & Co.** — **Harriman Ripley & Co.** Incorporated — **R. W. Pressprich & Co.**

Drexel & Co. — **Eastman, Dillon & Co.** — **Equitable Securities Corporation** — **Merrill Lynch, Pierce, Fenner & Beane** — **Stone & Webster Securities Corporation** — **White, Weld & Co.** — **Bear, Stearns & Co.** — **Union Securities Corporation**

A. C. Allyn and Company Incorporated — **Alex. Brown & Sons** — **Coffin & Burr** Incorporated — **Estabrook & Co.** — **Ira Haupt & Co.** — **Hemphill, Noyes & Co.** — **Hornblower & Weeks** — **Lee Higginson Corporation** — **F. S. Moseley & Co.**

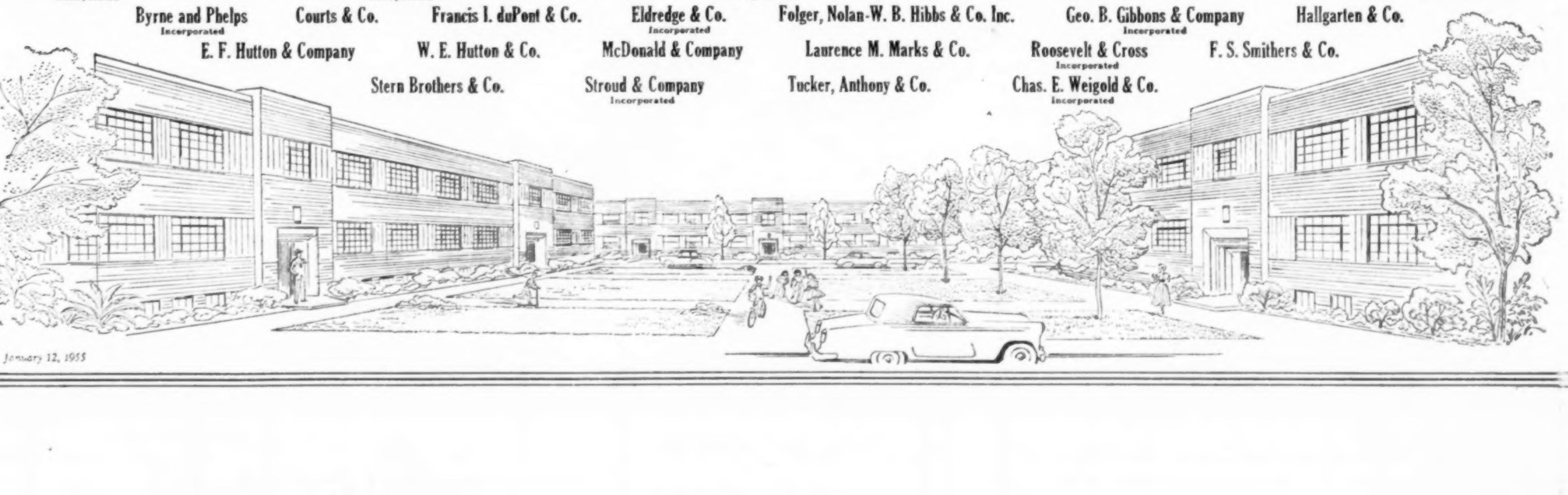
Paine, Webber, Jackson & Curtis — **Reynolds & Co.** — **L. F. Rothschild & Co.** — **Schoellkopf, Hutton & Pomeroy, Inc.** — **American Securities Corporation** — **Bacon, Stevenson & Co.** — **Baxter, Williams & Co.** — **A. G. Becker & Co.** Incorporated

Braun, Bosworth & Co. Incorporated — **Clark, Dodge & Co.** — **R. S. Dickson & Company** Incorporated — **First of Michigan Corporation** — **Gregory & Son** Incorporated — **Hirsch & Co.** — **Kean, Taylor & Co.** — **Wm. E. Pollock & Co., Inc** — **Dean Witter & Co.** — **Wood, Struthers & Co.**

Byrne and Phelps Incorporated — **Courts & Co.** — **Francis I. duPont & Co.** — **Eldredge & Co.** Incorporated — **Folger, Nolan-W. B. Hibbs & Co. Inc.** — **Geo. B. Gibbons & Company** Incorporated — **Hallgarten & Co.**

E. F. Hutton & Company — **W. E. Hutton & Co.** — **McDonald & Company** — **Laurence M. Marks & Co.** — **Roosevelt & Cross** Incorporated — **F. S. Smithers & Co.**

Stern Brothers & Co. — **Stroud & Company** Incorporated — **Tucker, Anthony & Co.** — **Chas. E. Weigold & Co.** Incorporated



January 12, 1955

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

... Review and Forecast — Booklet — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Consolidated Railroads of Cuba.**

Atomic Map and Glossary—Literature—Atomic Development Securities Company, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Canadian Letter—Fortnightly review of the Canadian Securities Market—Newling & Co., 21 West 44th Street, New York 36, N. Y.

Cotton Textile Industry in Canada—Analysis—Mills, Spence & Co. Limited, 25 Adelaide Street, West, Toronto, Ont., Canada. Also available is an analysis of **Dominion Textile Company Limited.**

Electronics Dollars and Sense—"Highlights No. 20" bulletin—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Foreign External & Internal Securities—1954 Year-End Prices—brochure—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese Electric Power Industry—Analysis in "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi Tori, Chuo-ku, Tokyo, Japan, and 61 Broadway, New York 6, N. Y.

New York City Bank Stocks—Annual comparison and analysis (ready January 18th)— Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Securities Outlook for the Investors and Business Executive—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Stock Market Analysis — Facts and Principles — George A. Chestnutt, Jr.—booklet plus next three weeks of American Investors Service Market Analysis Reports—$1.00—Ask for CC-101, American Investors Service, Larchmont, N. Y.

* * *

Arkansas Western Gas Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Beaunit Mills—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Canadian Oil Companies, Limited—Analysis—Nesbitt, Thomson and Company, Limited, 355 St. James Street West, Montreal, Que., Canada.

Canadian Pacific Railway—Memorandum—McDonnell & Co., 120 Broadway, New York 5, N. Y. Also available is a memorandum on **Mueller Brass Co.**

Clark Oil & Refining Corp.—Bulletin—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Consolidated Uranium Mines—Progress report (No. C-13)—Tellier & Co., 1 Exchange Place, Jersey City 2, N. J.

Fresnillo Company—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Goebel Brewing Company—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Joy Manufacturing Co.—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Minerals Processing Company—Card memorandum—Allen E. Beers Company, Western Saving Fund Building, Philadelphia 7, Pa.

Missouri Pacific Railroad Co.—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Murray Co. of Texas — Memorandum — Dallas Rupe & Son, Kirby Building, Dallas 1, Texas.

Olin Mathieson Chemical Corp. — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **Western Auto Supply Company**, and **Pullman Inc.**

Pennsylvania Salt Manufacturing Co. — Analysis — Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Standard Oil of California—Bulletin—Lilley & Co., Packard Bldg., Philadelphia 2, Pa.

Unilever N. V.—Analysis—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Warren Petroleum Corporation—Analysis—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

York Corporation—Analysis—Granger & Company, 111 Broadway, 6, N. Y.

THE MARKET . . . AND YOU

By WALLACE STREETE

The spirited recovery that got underway late last week, after the sharp break bright and early in the new year, ground to a halt early this week with the list turning irregular subsequently. Of slight concern was that the rails ended the rebound within pennies of testing their previous high. Industrials didn't come within serious distance of their all-time high, delaying a decision at least temporarily.

* * *

Brief and violent as it was, the setback already on the record for this year was the sharpest since the upturn started some 15 months ago. For the rails and industrials, the correction was approximately 6%. While this is more of a swing than has been seen in some time, it doesn't come anywhere near being a full correction in the traditional sense. This fact has kept the professionals cautious and some of the advices ran the gamut from unbridled optimism to real chagrin, from a short-term standpoint. Majority opinion is still constructive for the long pull.

* * *

It was something of a surprise that the first week would be a dour one for the 1955 market. There were less than a dozen weeks of decline last year, and with a generally accepted target of 420-25 for the industrial average, plus the fact that the tax season this year comes a month later, no immediate trouble had been foreseen. And the hubbub in Washington over high market levels was seen by brokers as a bit premature, if anything.

* * *

Active and Erratic Central

Probably no issue has dominated trading so far this year as New York Central. In the first week it rolled up a turnover of a third of a million shares, some three times the weekly average in 1954 when it was the heaviest traded issue of them all on 5½ million shares. Pricewise it had plenty of erratic moments, including one brief period of exuberance when it reached a price of $39, which was the best posting achieved by the issue since it sold at better than $55 in 1937.

* * *

Central is also a good example of how the Eastern roads have fallen from favor in the last quarter century. The issue never sold as low as $62 from the start of this century until 1930. Its peak, naturally a 1929 achievement, was better than $256 and its low so far was under $7 in 1942, which was even a couple of dollars under its 1932 poorest price. The stock could have been bought for only a shade above $9 as recently as 1949. From 1950 to 1953 it held in an 11½-26¼ range.

* * *

The price slump in this issue quite obviously reflected the dividend trims. From 1900 to 1932 annual dividends ran from $5 to $8 after which payments were omitted for a decade. The best payments since have been the $1.50 paid each year from 1943 to 1945 when war traffic boosted earnings. The road failed to make any payment as recently as 1951. Both the stock action and the dividend record offer good clues as to why it was so easy for an insurgent group to depose the historic management.

* * *

If the price action subsequent to the previously announced 50-cent "quarterly" payment is any indication, however, there is still plenty of skepticism over the ability of Central to maintain the rate. It had pretty well abandoned its surprising and persistent strength in favor of rather erratic action by the

Continued on page 16

NSTA Notes

AD LIBBING

Your 1954 National Advertising Committee is indeed very proud to report to the members that our gross advertising was $32,940.20 and a check has already been forwarded to our National Treasurer for $13,176.08. This amount is only second to our 1946 Year-Book Convention Supplement of the "Commercial and Financial Chronicle."

May I take this opportunity to thank your Committee, your national officers and the entire staff of the "Financial Chronicle." I would like very much to suggest when members meet Hal Murphy, Ed Beck, Vince Reilly, or Ted Peterson that they recognize them for the work they have done in making our advertising efforts such a great success.

Harold B. Smith

HAROLD SMITH, **Chairman,**
National Advertising Committee,
c/o Pershing & Co., 120 Broadway, New York City

BOND TRADERS CLUB OF CHICAGO

The Twenty-ninth Annual Winter Party of the Bond Traders Club of Chicago, Inc., will be held at the Furniture Club, January 24, 1955.

Members of the Committee are:

General Chairman: Chris J. Newpart, Merrill Lynch, Pierce, Fenner & Beane. Hotel Reservations, Fred T. Rahn, The Illinois Company. Optimistic Options, George R. Torrey, McCormick & Co. Dinner Reservations, Orville H. Strong, The First National Bank of Chicago. Bowling, Thomas D. Walsh, Doyle, O'Connor & Co. Transportation, William McGregor, Glore, Forgan & Co.

A bowling tournament is scheduled for Monday, January 24, prior to the dinner.

Business to Improve Moderately: Backman

New York University Professor of Economics lists significant factors in short-term business outlook that are favorable, but finds that there are long-term factors "which will have a leveling effect on the economy."

"It is probable that the level of business activity in 1955 will be moderately higher than it has been," Dr. Jules Backman, Professor of Economics, New York University, School of Commerce, Accounts and Finance, told the American Retail Executives Association at the Hotel Statler, New York, on Jan. 10. The main factors contributing to the business upturn include: the construction boom, tapering off of inventory liquidation, increased auto output as a result of the competitive struggle in the industry, and the record level of disposable income in the hands of consumers. Nevertheless it must be recognized that if the increase in output is modest, it may mean increases in unemployment despite the rise in business activity. Such a rise in the number of unemployed would reflect the normal annual growth in our labor force and the effects of expanding productivity.

Dr. Jules Backman

"The 1953-54 recession was modest in its depth. The national Administration wisely refused to be stampeded into enlarged spending programs and types of tax reduction more properly designed to combat a major depression. Part of the decline from the 1953 record levels reflected the reversal of the forced draft at which we were working in order to build up our national defenses, to catch up on the effects of the 1952 steel strike, and to accumulate excessive inventories."

Dr. Backman pointed out that "Considerable emphasis has been given to the reduction in inventories as an explanation of the 1953-54 recession. However, the effect of the reduction in expenditures for national security has been somewhat greater than the shift in inventory accumulation. In effect, we have been having an inventory-curtailed national security program recession rather than an inventory recession alone as in 1948-49.

"Apart from these two areas, the other sectors of the economy have recorded an increase on balance," Dr. Backman reported. "Thus, the drop in consumer expenditures for automobiles and other durable goods was more than offset by the increases in expenditures for nondurable goods and services. This rise in total consumer spending reflected the maintenance of personal income as a result of the cut in taxes and the payments made under various social security programs, including unemployment insurance. The drop in Federal nonsecurity expenditures has been exceeded by increased spending of state and local governments. While considerable publicity has been given to the increase in new construction in 1954, this increase has been more than offset by the decline in business spending for equipment. On balance, the cost of $22.4 billion in inventories and national security expenditures has been offset in part by the net increase of $8.0 billion in other sectors of the economy so that gross national product has declined by $14.4 billion or 3.9% from the 1953 peak."

Professor Backman listed the following expansionary factors as significant in the short-term business outlook: continuing high level of construction activity, the record level of disposable income, expanding automobile output, the Federal Government's easy money policy, the end of the decline in inventories, the new tax reform act, and increasing state and local expenditures. Evidence of sustaining forces is found in: price stability, high and product demand, the strength of foreign economies, continued high level government and armament spending, a four months backlog of unfilled orders, and small increases in consumer credit. Negative factors include: the poor farm outlook, and further declines in plant and equipment expenditures.

"Over the short run, these factors do not indicate a major expansion in economic activity, although some increase in activity seems probable," the speaker emphasized. "However, there are longer term factors which will have a leavening effect upon the economy. Of particular significance is the increase in population and the development of industrial research. Today's babies represent tomorrow's demands for a wide variety of products and community facilities. New products and new technology have been emerging from the research laboratories at a record rate. Automation, air conditioning, light metals, and various types of electrical appliances, provide well know illustrations. The full impact of the atomic age also remains to be experienced."

Land Banks Issue $106.5 Million Bonds

The 12 Federal Land Banks are offering publicly a $106,500,000 issue of 5-year 4-month Consolidated Federal Farm Loan Bonds through Macdonald C. Newcomb, their fiscal agent. The bonds are being sold with the assistance of a nationwide group of security dealers.

This new issue of bonds bears interest at 2½% a year, payable semi-annually starting June 1, 1955. The bonds are being offered at 98¾% plus accrued interest. They are dated Feb. 1, 1955, and will mature June 1, 1960.

Net proceeds from the sale are to be used to redeem $75½ million of Consolidated Federal Farm Loan 2¾% Bonds which mature on Feb. 1, 1955, and to provide funds to make mortgage loans to farmers.

The Consolidated Bonds being offered are the secured joint and several obligations of the 12 Federal Land Banks. The Banks are Federally chartered institutions operating under the supervision of the Farm Credit Administration. They make loans to farmers through national farm loan associations on the security of first mortgages on their farms. These mortgages form part of the collateral for the bonds.

Independent Telephone Industry

By ROGER W. BABSON

Asserting too many big companies will lead to Socialism, Mr. Babson advocates investors looking into the possibilities of investment in smaller or local concerns. Cites local and "independent" telephone companies as an avenue of investment, and holds we should give more encouragement to smaller companies; because (1) it is for the good of the nation, and (2) most new improvements come through smaller companies.

Most readers of my column look at times for something in which to invest. It never occurs to them that there may be good local investments under their own noses. They want to invest in some big company and send their money to Wall Street.

Roger W. Babson

With the exception of your local bank and certain chain stores, the telephone company which operates in your territory is probably your best investment, considering safety, income, and possibility for growth. The purpose of this column today is to praise the entire telephone industry, which is one of the fastest growing of all industries.

If you live in Bell territory, then purchase stock of your local Bell company or of the big American Telephone and Telegraph Company. This latter supplies the entire nation—Bell and Independents—with "long-distance" service. If you do not live in Bell territory, then consider the stock of your Independent telephone system, provided it is one of the 373 which report annually to the U. S. Independent Telephone Association at Munsey Building, Washington, D. C.

One for Every Six

With the exception of the big General Telephone Company, which is the largest "Independent," most of these 373 Independents are locally owned—165 have annual gross earnings of over $250,000; while 101 of these have gross of less than $100,000; but nearly all of them show constant growth. Moreover, each has a **monopoly** which very few businesses have. Their total exchanges number 4,684, with over 9,000,000 telephones, and 100,000 employees.

Let me add that there are 4,850 other little telephone companies in addition to the 373 which I recommend above, plus 60,000 mutually-owned farmers' lines. Altogether the Independents have over $1,500,000,000 invested, with total annual gross of about $500,000,000, or 10% of what the Bell System has. But of every six telephones being used in the U. S., one telephone is an "Independent." This insures complete cooperation from the Bell System with the use of all its connecting lines and facilities. Yes, the Independents have "one in every six telephones" covering two-thirds the area of the U. S.

Independents Have Been "Firsts"

I am especially interested in all "Independents," believing that the future of America depends upon encouraging the Independents in every line of business. Too many big companies will lead us to Socialism. Investors are "cutting their own throats" by buying only the "blue-chip" stocks, or the 30 Dow-Jones Industrials. We should give more encouragement to smaller companies—first, for the good of the nation, and **secondly**, because most new improvements come through the smaller companies.

The first automatic telephone system was installed by a La Porte, Indiana, "Independent." The first dial system was introduced by an "Independent." The first hand-set telephone and selective ringing was introduced by the "Independents." Bigness encourages smugness and bureaucracy. Had it not been for the fighting "Independents" in every line of business, we would not have the many conveniences which we have today. Yes, and prices for everything would be higher and wages lower.

The incandescent lamp, the automobile, fountain pens, hearing aids, vacuum cleaners, Kodak cameras, radios, flashlights, paper towels, electric heating pads, refrigerators, irons, toasters, etc., zippers, frozen foods, powdered coffee, long-playing records, colored movies, penicillin, and many other household blessings were invented and first marketed by small independent companies. Then the big companies came along to swallow up the markets.

Furthermore, so long as the advertising rates by magazines, radio, and TV are the same for a small pioneering company as for a great big company, so long will the "Independents" be unfairly handicapped, both in selling and in raising capital. One final thought: Although the big Bell companies operate in most of the big cities, yet the Independents serve nearly twice as many communities! I am putting my money into "Independents."

From Washington Ahead of the News

By CARLISLE BARGERON

Aside from the question of whether Wolf Ladejinski is a security risk as claimed by the Department of Agriculture or is perfectly o.k. as claimed by the State Department and the FOA, he must be the envy of all the New Dealers in the country. It has long been their ambition to redistribute the wealth in this country. Now, it develops that the Russian-born Ladejinski, with seemingly little effort on his part, was picked up by some of our best and most respected citizens and given the assignment of redistributing it in Japan.

Carlisle Bargeron

He was given this assignment, indeed, by no less a distinguished citizen than Douglas MacArthur, a Republican as much as Herbert Hoover, a man who many of our staunchest Republicans wanted as their Presidential candidate in 1952. As comic stripper Snuffy Smith would say, it takes the rag off the bush.

Frankly, in all of the outcries that have attended dismissals of government employes since the Eisenhower Administration came in, from the telephone operator at the White House to Diplomat John Paton Davies, I have never been so intrigued as I am with the story of Mr. Ladejinski. I am not so concerned either with the debate in Mr. Eisenhower's official family as to whether he is or isn't a security risk.

What fascinates me is the job he has had all these years before his transfer from the State Department to the Department of Agriculture brought him into the limelight. The defense of him is, why that man, one of the greatest agricultural experts in the whole world, did the greatest imaginable job of breaking up the big land holdings in Japan and spreading them among the peasants. He couldn't possibly have any Communist sympathies because he did this job for us. He did it under the direction of General MacArthur. And what base ingratitude it is for the devout Mormon Secretary of Agriculture, Ezra Taft Benson, to be coming along at this late date and dubbing him a security risk. How more terrible could a nation so advanced and powerful as ours treat one of its men of accomplishment?

We are told the employment of Mr. Ladejinski was a master stroke on the part of General MacArthur and our government because by taking this land away from the owners and giving it to the peasants—that is what it amounted to because although the owners were compensated by fixed prices inflation wiped the compensation out—we got ahead of the Communists. Redistribution of the land is one of the first things they do when they move into a country. It would manifestly be silly for the Japanese to embrace the Communists if our government will do the Communist stuff first and presumably with our vaunted efficiency of private enterprise, in a better way. We are assured, in fact, that because of this foresight on the part of our government and because of its having at hand the greatest land redistributor in all the world, Japan is now relatively safe from Communism.

Fortunately we are not even now to lose the services of this great expert despite Secretary Benson's diabolicalness. He is to be sent to Indo-China to head off the Communists there, that is, by redistributing the land before the Communists can take over completely and do the redistributing.

Thus we move merrily along with our global or "free world" leadership. You wonder how the Voice of America upon which we are spending millions annually copes with this sort of leadership. Inquisitive committees of Congress have been told time and again that the Voice is telling the world, even the people behind the Iron Curtain, about the civilization and high standard of living we have attained through our freedom and private enterprise, about how our workers ride to work in Cadillacs, about how our housewives are saved from drudgery through clothes and dish washing machines. Congressional committees have at times been quite critical of the Voice in the belief that it was cynical and given to taking snide cracks at our materialistic well-being.

But when we learn of Mr. Ladejinski's work you can appreciate what the Voice may be up against. It would seem that the theme for it to beam to the backward peoples of the earth, inside and outside the Iron Curtain and in the proscenium would be: We are better at redistributing the land than the Commies. We even have an expert who speaks Russian to do it.

Thomas Emmons With Hemphill, Noyes & Co.

PHILADELPHIA, Pa.—Hemphill, Noyes & Co., investment bankers and members of the New York Stock Exchange, have announced that Thomas P. Emmons has joined the firm as a registered representative in the Philadelphia office.

A graduate of Princeton University, he served in the United States Navy from 1944 through 1946.

Mr. Emmons has been in the securities business since 1951 and is a member of the Racquet Club, Princeton Club of Philadelphia and Philadelphia Cricket Club.

Carl B. Hess V.-P. of Amer. Secs. Corp.

The election of Carl B. Hess as Vice-President of American Securities Corporation, 25 Broad Street, New York City, in charge of the firm's business and industry department, was announced today by William Rosenwald, Chairman of the Board, and Emmett F. Connely, President. Previously Mr. Hess was a partner of Cresap, McCormick and Paget, management consultants.

Small Business and the Federal Government

By WENDELL B. BARNES*
Administrator, Small Business Administration, Washington, D. C.

After describing functions of the Small Business Administration, Administrator Barnes makes the point that government financial aid to small business is largely limited to cases where bank participation is available and where required credit could not be obtained adequately from private lending institutions. Says Small Business Administration does not have the slightest intention of competing with private lending. Reveals as of Nov. 30, 1,019 loans aggregating $55,169,654 were approved by the SBA, of which amount $15,766,263 were made directly by the agency. Contends only sound loans are approved, and adequate security is demanded of the borrower.

At the outset, let me say that one of the primary objectives of the Eisenhower Administration has been to encourage private enterprise and to decrease government business activities which compete with private business. The present National Administration has always recognized the superior capability and efficiency of our private banking system and the outstanding contribution of the banks to the basic economic stability of the nation.

Wendell B. Barnes

The purpose of Congress in creating our agency was to advise and assist small business in as many ways as it seemed to need help, and generally to serve as its champion.

The act was passed by Congress on July 30, 1953, without dissent, and signed into law the same day by the President.

Functions of the Small Business Administration

It is a very common view, mistakenly held by many people, that the sole function of the Small Business Administration is to make business loans. That is only one of our major functions.

In setting up our agency, Congress believed that there are some respects in which a small business is at a disadvantage, in competing with larger firms, just because it is small.

A large firm is in a better position to get information on contracts from the government than a small firm. A large firm can afford to spend more money to hire costly administrative and technical experts. It can spend more of its funds on research. It is easier for it to expand through issuing securities for equity capital. It is usually in a better position to borrow money on a long term or intermediate basis.

Therefore, Congress gave two major functions to the Small Business Administration, in addition to the function of making business loans.

The first is to help small business to obtain a fair share of government contracts.

The second is to help small business to obtain competent management, technical and production aid and counsel.

We have a secondary lending function, also, which is to lend money to owners of homes and businesses which have suffered from natural disasters like earthquakes, hurricanes, and floods. It has nothing to do with regular business loans.

Procurement Assistance

With regard to our government procurement assistance function, this function is to see that a fair share of goods and services purchased by the government is purchased from small firms.

We maintain people at 33 procurement centers of the government to screen lists of the needs of the military and seek to have as large a number as possible set aside for the exclusive bidding of small firms under our joint determination program. We have the same sort of arrangement with the General Services Administration and with the Atomic Energy Commission.

Remember that the Government of the United States is the largest purchaser of goods and services in the world, entering into about 6 million contracts a year for about $30 billion in goods and services.

Our procurement program is a lifesaver to small business in many areas.

Educational Function

Our educational function is addressed to the small business which seems to be in good shape, running along on a solid basis of demand for its product—the only thing is, it isn't making money. I know every banker recognizes this situation.

The basic difficulty is that the owner of a small firm is expected to be all things to all men. He probably knows every step in the manufacture of his product; but he finds that he is supposed to be an engineer, lawyer, tax expert, accountant, and public relations counsel, all rolled into one; and he simply doesn't have the knowledge.

There may be serious gaps in his knowledge or experience. He can't afford to hire specialized technical and managerial brains. Either he or members of his regular staff must find out the answers.

The Small Business Administration has uncovered the most commonly met gaps in a business man's knowledge and has tried to fill them. This it does through a series of booklets and pamphlets, almost 100 in number, of which many thousands of copies are distributed each month. We employ the most skilled talents in industry to write these pamphlets on managerial and technical subjects. They cover a wide range of subjects: production, methods-engineering, figuring break-even points, pricing policy in bidding on government contracts, materials control, accident prevention, advertising, packaging, etc.

We maintain, also, a field staff which is ever ready to counsel with the owner of a small enterprise to find out what things may be wrong with his business, to find out why it is not making money, and to bring to his attention the names of qualified people who can provide detailed professional advice.

What Is "Small Business"

Here let me define the term "small business." It is declared by the Act that, in general, a small business is one which is independently owned and operated and which is not dominant in its field. Congress permitted us to use other *indicia*, such as number of employees and yearly dollar volume.

In government procurement activities, the median line distinguishing small business from large business is whether a company, including affiliates, employs more or less than 500 people.

We have conducted size studies in virtually every field, commercial and industrial activity and have arrived at varying standards which take into account the various fields and weight them in accordance with the average in those fields. We have used these standards to determine eligibility under our lending program.

Financial Assistance

Now, having cleared away some of the peripheral matters, we can get down to the central theme in which we find our chief mutual interest—our financial assistance program.

The law creating this Agency provided that the Small Business Administration could not make a loan unless it were shown that a bank participation was not available.

In furtherance of its objectives, the Act created a Loan Policy Board, composed of the Secretaries of the Treasury and of Commerce, together with the Administrator of the Small Business Administration, who would act as Chairman of the Loan Policy Board.

The board implemented the requirements of the law by further providing that financial assistance could not be granted by the Small Business Administration unless proof of refusal of the required credit has been obtained from the applicant's bank of account or a correspondent bank, or any other lending institution with capacity adequate to cover the requested loan.

We have gone even farther and required proof of the fact that the desired funds do not appear to be obtainable from any other known sources of credit serving or operating in the business community.

Thus, it will be clearly seen that the Small Business Administration was created and intended, among other things, for the purpose of cooperating with private banks and supplementing their lending activities in the small business field.

The Small Business Administration does not have the slightest intent to compete, in any way, with private lending institutions. We feel that our attitude in this respect is borne out by our loan record.

At the inception of our lending program, about a year ago, a bare one-third of our loans were being made in participation with banks.

Since that time, we have continuously endeavored to explain our objectives to the private banking system and to work with them in serving their customers' needs. As a result, our current records show that more than two-thirds of our loans are now shared by local banks.

As of Nov. 30, 1954, the Small Business Administration has approved 1,019 business loans to small firms, aggregating $55,169,654, of which 694, totaling $39,403,391, were bank-participation loans, and only 325, amounting to $15,766,263, were made directly by the agency.

Bank participation loans are preferable because of the fact that the local banker generally has much more intimate knowledge of the transaction and the capabilities of the borrower. In practice, our bank participation program is carried out most actively in all phases of a loan.

When a proposed borrower first calls at one of our offices, he is informed of the requirements of the law and our policy and is advised that it will be necessary for him to endeavor to obtain the required funds from his bank.

If the bank or its correspondents are unable, for some reason, to make the desired loan, the applicant must obtain and furnish the Small Business Administration with a letter to that effect.

In the event the bank can make the loan, then the agency has served its primary purpose.

On the other hand, if the bank is unable to grant the entire credit, but is interested in a participation with the Small Business Administration, then an application is filed with the bank on the form provided for that purpose.

The bank assembles and prepares all requisite credit and other pertinent information and has immediate supervision of the transaction until such time as the forms are forwarded to one of our 40 local field offices for processing.

On July 2, 1954, Small Business Administration Regional Directors were authorized to approve, without reference to Washington, loans of not more than $50,000 in instances where private banks have agreed to participate to the extent of not less than 25% of the loan, provided that at least one-half of the bank's participation represents new or additional credit advanced by the bank to the borrower.

In all other cases, the application is transmitted to Washington for final consideration and decision.

Thus, it will be seen that the bank conducts most, if not all, of the dealings with the applicant, its customer, which is certainly most appropriate.

In most cases, if a participation loan is approved, the bank—not the government — handles the servicing and all other details of the loan. By these procedures, the Small Business Administration believes that it is assisting small firms in the most effective way—by helping them to establish or continue a satisfactory line of credit with their own local banks and by cooperating with banks as they carry on the important function of serving their customers and their community.

Additionally, such a program should enable the banks to develop more profitable accounts, and certainly will result in stimulating the growth of their customers' businesses.

Under the law, the Small Business Administration is authorized to take not more than 90% of a participation loan.

On deferred participation, the Agency agrees to purchase its share of the loan, at any time, upon the bank's request. The majority of shared loans are made on a deferred basis; and we feel that the government will rarely ever be called upon to advance its portion of such a loan.

Additionally, we also make immediate participation loans, in which case both the bank and the Small Business Administration lend their agreed share at the time the loan is closed. In some few instances involving immediate participation, the Agency has agreed to service loans.

The Small Business Act of 1953

Continued on page 28

*An address by Administrator Barnes before the Seventh National Credit Conference sponsored by the American Bankers Association, Chicago, Ill.

The SEC and the Courts

By WILLIAM H. TIMBERS*

General Counsel, Securities and Exchange Commission

Legal adviser to the Securities and Exchange Commission explains to lawyers the basic relationships between the SEC and the Federal Judiciary. Discusses the "amicus curiae" role of the Commission, and the procedure to be followed by members of the Bar who desire to obtain participation by the SEC as "amicus curiae." Reviews and appraises functions of the SEC under Chapter X of the Bankruptcy Act, and reveals major litigation in which the Commission is presently involved.

This relationship between the SEC and the Federal Judiciary, as all of you are aware, is basically the relationship between one agency of the executive branch of the government and the judicial branch of the government. Implicit in that relationship under our constitutional form of government is the doctrine of separation of powers, coupled with what we were taught in political science as certain checks and balances. So much for the theoretical relationship between this Commission and the judiciary.

William H. Timbers

As a practical matter, the relationship between the SEC and the courts is substantially the same as the relationship between any litigant and the courts. Counsel for the Commission, when appearing before the courts, appears not only as attorney for the Commission as a client but also appears as an officer of the court, and I have discovered that the judges, and quite properly so, rarely pass over the opportunity to emphasize government counsel's role as an officer of the court.

Beyond this, however, the relationship of the SEC to the courts—and the same holds true for any regulatory agency of the Federal Government—is a somewhat extraordinary relationship. It is extraordinary because for its very existence and particularly for the scope of its jurisdiction, the Commission necessarily must look to the courts. We administer six Federal statutes and we have a prescribed statutory role under Chapter X of the Bankruptcy Act. It is impossible, however, to ascertain the full thrust of the Commission's statutory responsibilities by merely looking at the four corners of these statutes. Twenty years of decisional law, much of it hammered out on the hard anvil of bitterly contested litigation, has been necessary in order to add flesh and blood to the bony statutory structure. Indeed, that process still continues and, in my opinion, necessarily must continue in order to preserve the vitality of our Commission. After serving as General Counsel to the Commission for a little more than a year, I have become more and more impressed with the cogency of the words Judge Learned Hand wrote to me when I first took office:

"The SEC is still young enough not to have suffered the sclerosis that has invaded such commissions as the . . . and the . . .; and I am sure you will help to hold off that disease that in the end, if unchecked, will destroy the value of such organs of our government."

A quick glance at the SEC's record in the United States Supreme Court during the 20 years of the Commission's existence may serve to illustrate what I refer to as this continued process of maintaining the vitality of the Commission. During these years 34 cases in which the Commission has been either a party or *amicus curiae* have come before the Supreme Court for decision on the merits. In only three cases has the ultimate judgment gone against the Commission or the position it espoused. Our record in the lower courts has been almost as good. I cite this record not for its box score result but as an indication of the skill with which your government's business is this important area has been handled by the Commission's excellent staff, and particularly by such able men as your Chairman this evening, who through the years have so dedicated themselves to the high responsibility of their office as to bring about such a commendable record. This, I think, explains in no small measure the vital place this comparatively small agency of the Federal Government has assumed in the economic life of the nation. Incidentally, considering that the Commission is a small one — with approximately 750 employees—it is interesting to note that the SEC has contributed its fair share to the personnel of the Federal Judiciary, including a Justice of the Supreme Court and a Judge of the Court of Appeals for the Second Circuit.

Amicus Curiae Role of the Commission

Aside from the Commission's normal role as a party plaintiff or party defendant in the usual case in which the Commission appears in court, one of its most difficult and, in my opinion, most important functions is in the role of *amicus curiae*. This is by no means a new concept nor one peculiar to this Commission. It dates back to the days of the Roman law and has been instrumental in the development of Anglo-Saxon law for more than three centuries. Henry Clay appeared before the United States Supreme Court as *amicus curiae* in 1821.[1]

Basic Conflict Between Two Fundamental Concepts of Government

The difficulty in determining the extent to which a Commission such as ours should participate as *amicus curiae* in private litigation stems basically from a conflict between two fundamental concepts of government: (a) a belief that the expert knowledge developed by a Commission such as the SEC over a period of years should be made available to the courts as an aid to their formulation of the decisional law construing the statutes administered by this Commission as well as the regulations promulgated under those statutes by the Commission; and (b) a belief that taxpayers' money should not be used by a governmental agency such as ours to load the dice in favor of one side or the other in private litigation where the parties are represented by competent counsel fully able to aid the court in the normal judical process. The present Commission has given careful thought to this problem which involves, as I am sure you will recognize, elements of basic philosophy of government.

Practical Facts of Life Confronting SEC

In formulating an intelligent and workable policy for *amicus curiae* participation, the Commission is confronted with certain practical facts of life:

(1) A litigant naturally wants the Commission to participate on his side of any case in which the securities laws are involved because the Commission's record in litigation is an exceptionally good one. The pressure by litigants to get the Commission into a case often is a very strong pressure and frequently is implemented by pressure from Congressmen and Senators on behalf of their constituents.

(2) The courts frequently request the Commission specifically to participate as *amicus curiae* and it is most difficult, I assure you, for a government lawyer to advise his client not to honor such a judicial request. At the last term, the Court of Appeals for the Second Circuit on two occasions criticized the Commission for failure to participate as *amicus curiae*:

(a) In *Blau* v. *Mission Corp.*, Circuit Judges Clark, Frank and Hincks stated: "In previous decisions involving the interpretation of this remedial statute we have been aided by detailed expositions of relevant factors by the Securities and Exchange Commission as *amicus curiae*, and we regret the lack of their aid in this case. Accordingly, we proceed with due caution in venturing upon uncharted seas."

(b) In *Roberts* v. *Eaton*, Circuit Judges Clark, Medina and Harlan stated: "The Securities and Exchange Commission, as we are informed and to our regret, see *Blau* v. *Mission Corp.*, *supra*, has declined an invitation to express its views as *amicus curiae*." . . . "Thus left to our own resources we are not inclined at this juncture to attempt enunciation of a black-letter rubric."

In many other cases the courts, including the Second Circuit, have commented favorably upon the aid rendered by the SEC in its role as *amicus curiae*.

(3) Budget limitations alone, however, necessarily make it impossible for our Commission with its present staff to participate in all cases involving construction of statutes administered by the Commission or rules and regulations promulgated by the Commission under such statutes. Accordingly, the Commission necessarily must select with care those cases in which it is to participate as *amicus curiae*.

Views of Federal Judges

During the past year I have endeavored to obtain first hand the views of various Federal Judges upon the subject of SEC *amicus curiae* participation. Their views may be summarized as follows:

(1) The SEC should participate *where the issue is extremely technical and where the Commission's superior expert knowledge should be made available* to the Judicial Branch of the government.

(2) The SEC should participate where it is important that the court should be appraised of the Commission's *administrative experience* with respect to the statutory provision or rule under consideration.

(3) The SEC should participate where *a novel question of statutory construction or rule interpretation is involved*—to the end that an appropriate judicial precedent may be obtained which will be important in the future administration of a statute or rule.

Accordingly, these are the principal considerations taken into account by the Commission in determining whether to participate as *amicus curiae* in a given case.

Procedure to Be Followed by Bar

The following procedure is recommended to members of the bar who desire to obtain participation by the SEC as *amicus curiae* in a given case:

(1) Informal request for the staff view on a particular question before the case gets into litigation.

(2) After commencement of suit, informal conference with the staff regarding its position on the particular question involved.

(3) Formal written request addressed to the Commission to participate as *amicus curiae* in a particular case. Such application should be accompanied by pleadings or printed record and briefs.

(4) After review by the staff, a recommendation either for or against *amicus curiae* participation is presented by General Counsel's Office to the full Commission which makes the ultimate determination.

(5) In the event a case is submitted to the court without SEC *amicus curiae* participation, a request addressed by the court to the Commission to file a brief will be given careful consideration by the Commission.

Wilko v. Swan

The case of *Wilco* v. *Swan*, decided at the last term of the Supreme Court, may serve to illustrate the circumstances under which the Commission (a) on the one hand will participate as *amicus curiae*, and (b) on the other hand will not so participate. That case involved the validity of a pre-litigation stipulation (contained in a margin agreement) to arbitrate any dispute between the purchaser of securities and the brokerage house from which they were purchased. Suit was brought in the District Court for the Southern District of New York to recover the purchase price of securities which the plaintiff claimed were sold to him under fraudulent representations. From an order denying the brokerage firm's motion to stay proceedings until the matter could be submitted to arbitration, the brokerage house appealed to the Court of Appeals for the Second Circuit.

Believing that an important question involving the effectiveness of the civil liability provisions of the securities laws was involved, the Commission filed a brief in the Second Circuit as *amicus curiae* supporting the plaintiff's position. The Second Circuit, by a divided court, rejected the Commission's position and reversed the case, thus sustaining the validity of the arbitration agreement. The Commission petitioned for *certiorari* and it was granted. In the Supreme Court the Commission assumed the laboring oar on behalf of the petitioner and secured a reversal of the Second Circuit in an opinion which struck down the arbitration agreement. Upon remand to the District Court, the case in due course proceeded to trial upon disputed issues of fact. At that stage plaintiff's counsel urged the

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*An address by Mr. Timbers before the Association of the Bar of the City of New York, New York City, Dec. 6, 1954.

[1] In this interesting early Supreme Court case involving the participation of an *amicus*, *Green* v. *Biddle*, 8 Wheat. (21 U. S.) 1, 17 (1821-3), claimants to land in Kentucky under patents granted by Virginia prior to the establishment of Kentucky as a separate state in 1792 argued that laws passed by Kentucky in 1797 and 1812, granting certain rights to Kentucky tenants in possession against persons who successfully established paramount title, were an unconstitutional impairment of a compact made in 1739 between Virginia and the proposed state of Kentucky, under which compact the rights to land of claimants under prior Virginia patents were to be governed by the law of Virginia. In March, 1821, Justice Story held for the Court that the Kentucky statutes were unconstitutional as an impairment of the prior compact. Thereupon on March 12, 1821, Henry Clay as *amicus curiae* moved the Court for reargument and stay of mandate, inasmuch as the tenant in the case had not put in an appearance and the Court's adjudication involved the rights and claims of numerous occupants of land in Kentucky. The motion was granted. Thereafter in 1822, Clay and others argued to the Court in favor of the Kentucky enactments, but in its final opinion delivered in 1823, the majority of the Court adhered to the view expressed earlier by Justice Story.

Securities Regulations in a Free Enterprise Economy

By RALPH H. DEMMLER*
Chairman, Securities and Exchange Commission

SEC Chairman, after pointing out background of legal regulations affecting corporations, outlines aims of regulation and abuses they seek to prevent. Says Federal regulations of securities dealings have "worked well" and are intended to be a permanent part of our economic jurisprudence. Points out importance to the economy of successful regulation of the securities laws. Holds "there is both an obligation and an opportunity for securities dealers, accountants and lawyers to acquire the know-how in the field of capital formation" and stresses the work of the SEC in trying to spread knowledge of its requirements.

Life — personal, business, community, national — has grown so complex that it is easy to lose our sense of direction. We tend to become engrossed in working our way out of our private little mazes. I won't apologize, therefore, for using up some of your time trying to fit the particular type of Federal regulation which the Securities and Exchange Commission administers into the general pattern of the nation's economic life.

Ralph H. Demmler

The history of this nation since the Civil War is a history of reaction or response to forces of incalculable magnitude — growth of large aggregations of economic power, the availability, and at times the rush, of surplus wealth for investment, war, depression, more war, the struggle for world power, the responsibility of world power. Let us try to classify, if we may, the techniques by which such forces are handled. At the risk of over-simplification we can say that two methods have been employed—sometimes alternatively, sometimes concurrently — the development of counter forces or the imposition of legal controls.

Let me illustrate what I mean. Take the development of large aggregations of economic power represented in our giant corporations. The counter forces operating to control that power are competition of rival businesses and the collective bargaining power of labor unions. The legal controls operating to control the power are the anti-trust laws, the labor-management relations laws, and the securities laws. Sometimes there have been attempts at voluntary self-imposed controls such as the old NRA codes under the short-lived and unconstitutional National Industrial Recovery Act.

Take another example — the struggle for world power. On the one hand, we set up counter forces, rearmament, NATO, the winning of the nuclear weapons race. On the other hand, we attempt controls, the League of Nations, the Naval Disarmament Treaty of 1922, the United Nations.

The wisdom with which we select a method or combination of methods of responding to these great challenges of our time determines the strength of our nation and may determine our survival.

Now let me get a little closer to the announced subject of my remarks. This country has generated surplus wealth—savings if you will — available for investment. Corporations have been developed as a legal vehicle to bring together the savings of millions. There are well over seven million stockholders in this country according to reliable estimates. One corporation has over a million stockholders. If you consider the indirect investment represented by ownership of insurance policies and interest in pension funds, the savings of many more millions are invested in the American industrial economy. The result of this is a peculiarly American and Canadian phenomenon, a literal pressure of money saved by the general public to find a place for investment in business and industry.

What do we do with these forces? The corporations call for capital. The members of the public press forward to invest their savings. We might depend entirely on an automatic system of self-adjustment. Investors could learn by bitter experience; the buyer could beware; businesses which forfeited public confidence would fail; the strong would survive; there would be no restriction in gathering capital into enterprise. Any such concept involves an inexcusably naive confidence that good always will triumph over evil. Tom Paine once said in effect that government is necessary because moral principles don't operate without assistance.

It is inherent in the nature of things that there must be some legal controls imposed on one man who gathers together and administers capital furnished others. That is true of trust funds. It is true of bank deposits and in its own way it must be true of corporate capital. Corporations are artificial entities, creatures of the state. They are empowered to do only what the law says they may do. Their directors have duties both as to good faith and prudence. Their property must be handled with due regard to the rights of creditors and stockholders. These general concepts are incontrovertible, but an effective system of legal controls involves the development of detailed rules and effective techniques to insure compliance.

The Federal Securities Laws

My remarks this morning deal with a small segment of that system of controls—the Federal securities laws. Those laws, together with the regulations and decisions made thereunder, have come to constitute a sizable body of jurisprudence. Most business men have become conscious of the fact that every important transaction must be examined for its tax consequences. Too few realize the frequency or scope of problems under the Federal securities laws. I hope, therefore, that you will bear with me while I summarize the impact of that legislation.

When we look at the function of the modern corporation in gathering and administering capital, what ends do we desire? What abuses do we seek to prevent?

(1) We want to encourage investment—money in the mattress, jewelry in a vault are static wealth.

(2) We want no foolish, meaningless obstacles to the accumulation of capital.

(3) We want opportunity for initiative and imagination to develop the full economic potential of an enterprise.

But there are a few other things that we want also:

(4) The investor should know what he is getting into when he buys securities. The Securities Act of 1933, the so-called "truth-in-securities law" requires the disclosure of information in the sale of securities and prescribes standards for such information. The Securities Exchange Act of 1934 provides for periodic reports by companies listed on national securities exchanges.

(5) The owners of an enterprise are entitled to current information. The reports under the Securities Exchange Act of 1934 provide this in the case of listed companies. Some state corporation laws, of course, also provide for the furnishing of information to shareholders.

(6) Financial information should be presented to investors with reasonable completeness and in accordance with generally accepted accounting principles. Under each Act administered by the Securities and Exchange Commission the Commission is given power to prescribe accounting rules.

(7) The investor should have a remedy against someone who deceived him by misrepresentation or concealment. The Securities Act of 1933 and the Securities Exchange Act of 1934 in the aggregate provide for civil remedies against a number of types of fraud and concealment in the sale and purchase of securities. These remedies are in addition to those provided by Federal mail fraud statutes, by state statutes and the common law.

(8) A stockholder should have a chance to vote intelligently at corporate meetings—not blindly. The Securities Exchange Act and the proxy rules thereunder provide, in the case of listed companies, for information as to management's stewardship and for an explanation of matters to be acted upon at corporate meetings of listed companies.

(9) The markets for securities should be free of manipulation. The Securities Exchange Act provides for the regulation of national securities exchanges. It provides penalties for manipulative activity and provides for some controls of the over-the-counter market.

(10) People with inside information should not be allowed to make use of such inside information to the disadvantage of their fellow security holders, and transactions between such persons and the corporation should be subjected to careful scrutiny. The Securities Exchange Act of 1934 and the Public Utility Holding Company Act of 1935 provide, in the case of listed companies and companies subject to the Holding Company Act, for corporate recapture of short-swing trading profits made by officers, directors and controlling stockholders. The Public Utility Holding Company Act and the Investment Company Act provide controls on transactions with affiliated interests.

(11) People engaged in businesses involving recommendation of investments, sale of securities, handling of other people's money and securities, should be registered and should be required to file publicly available information about themselves. These things are required of broker-dealers and investment advisers by the Securities Exchange Act and the Investment Advisers Act.

(12) Trustees for corporate bond and debenture issues should be sufficiently independent to assure conscientious performance of the duties of such a trustee and the trustee should be required to perform its obligations with prudence. The Trust Indenture Act of 1939, applicable in general to debt issues of $1,000,000 or more, prescribes standards for such independence, requires indentures to impose certain specific obligations on trustees and provides for mandatory reporting of the issuer to the trustee.

(13) In cases of reorganization of corporations in which there is a large interest of public creditors or public investors, there should be some assurance of administration by an independent trustee, a vigorous inquiry into the true financial status, and a sound, feasible, fair and equitable reorganization plan. Chapter X of the Bankruptcy Act imposes on the Commission a duty to intervene as a party in Chapter X reorganization cases if the Court requests such intervention, and gives it discretion to intervene whether or not such a request is made. The Chapter also gives the Commission an opportunity to report on the reorganization plans of any corporations having obligations in excess of $3,000,000 and the Federal courts may submit reorganization plans in other cases.

Federal Regulations Have "Worked Well"

The Federal statutes which I have briefly referred to were passed in a period when our national economy was unhealthy. They have worked well both during a period of convalescence and during a period of robust, energetic health.

Too many of us think of the Federal securities laws in terms of the conditions existing at the time they were enacted in the 30's. They were directed against abuses which had developed as a result of a popular speculative orgy and abuses resulting from insufficiently developed legal standards relating to the raising and management of capital.

But these laws are not something designed either as a temporary recovery measure or as a short-lived reform bill. They are intended to be and they are a part of our economic jurisprudence.

As a matter of fact, almost 70 years ago when accumulation of

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*An address by Chairman Demmler before the School of Business Administration, University of Buffalo, Buffalo, N. Y., Jan. 7, 1955.

The British Economic Picture

By PAUL EINZIG

Calling 1954 "the most prosperous year in British economic history," Dr. Einzig sees a spirit of universal optimism in Britain. Reviews some developments during last year and finds only two clouds on the horizon: (1) a threatening epidemic of strikes, and (2) the impact of a higher bank rate needed to prevent current boom from getting out of hand.


Dr. Paul Einzig

LONDON, Eng.—The year 1954, the most prosperous year in British economic history, ended in an atmosphere of almost universal optimism. The Stock Exchange, after several sharp but short-lived setbacks, gave full expression to this sentiment during the closing days of December, in sympathy with the rising trend in Wall Street. Consumer spending during the Christmas season surpassed all previous records. Everybody was complaining about the high cost of everything, but this did not prevent most people from spending freely on Christmas presents of all kinds. Shopping crowds were surging on London's streets, and places of entertainment were filled to capacity. Note circulation, bank deposits and advances, industrial output, retail trade turnover, all showed further increases towards the year-end.

From time to time a note of caution made itself heard in the columns of the financial press, or in public pronouncements of economists, politicians or businessmen. "In the past every boom was succeeded by a slump, are we justified in assuming that it will be otherwise on this occasion?" Such doubts, together with fears of major strikes and of a higher bank rate, caused the Stock Exchange to hesitate from time to time. But the optimistic undertone was too strong to be affected for any length of time, and after each setback the "Financial Times" index of equities made a new high.

The trend of Government loans was less self-assured. Indeed, towards the close of the year this section of the market dropped part of its earlier gains, closing the year nevertheless with a very substantial improvement on balance. The days when the banks had to struggle with bookkeeping problems arising from the depreciation of their investments are now a matter of the past. Those banks which wrote off these bookkeeping losses at the end of 1952 are now in a happy position of being able to add many millions of bookkeeping gains to their open or hidden reserves.

The only two clouds on the horizon of the immediate future appeared to be the threatening epidemic of strikes and the possibility of an increase of the bank rate. These fears were not strong enough to spoil the Christmas celebrations, but they gave cause to a certain amount of anxiety towards the end of the year.

There is indeed some reason to fear that some major industrial disputes may develop into major strikes. A number of employers—including those of some nationalized industries—feel the time has come for a "showdown." Hitherto they have been inclined to take the line of least resistance, and yielded to wages demands, because in a rising market they found no difficulty in adding the increased costs to the prices of their goods or services. In recent disputes, however, much more has been at stake than a mere additional turn in the inflationary wages spiral. Employers had to assert themselves in the interests of upholding their authority which workers in many instances sought to challenge. The elected representatives of employees attempted in several recent instances to interfere with the management of the firms concerned, or at any rate to disregard existing regulations and instructions. Even though most Trade Unions refused to back up these attempts, there is a danger of major unofficial strikes which is liable to disorganize the industries concerned and to affect the country's economy as a whole.

The other danger spot lies in the growing agitation in favor of a higher bank rate as a means for preventing the boom from getting out of control, and from producing an adverse effect on sterling. It is especially this latter aspect of the problem that is receiving attention. The view is widely held that the increases of domestic demand is getting ahead of the increase of the output, and that, as a result, the balance of payments is liable to suffer.

A higher bank rate would not materially affect the relations between consumer demand and output, because it is liable to discourage production to at least the same extent as consumption. What it is expected to do is that, by attracting short-term funds from abroad, it would neutralize the effect of an adverse balance of payments on sterling. This solution would not be very sound, for sterling would be bolstered up by artificially attracting "hot money." But at the same time a fall in production would cause a reduction of raw materials, so that the balance of payments itself might improve.

The latest argument used in favor of a higher bank rate is that it would enable the government to lower taxation. It is argued that, as things are, any taxation cuts would tend to accentuate further the inflationary boom. Under the new conception of controlling economic trends by Budgetary means, tax concessions are supposed to be made during depressions, when it is necessary to stimulate demand, and not during booms when the task of the authorities is to discourage demand. This rule may work well in the United States and many other countries, but not in Britain. Judging by recent experience, British Governments expect the taxpayer to tighten his belt when things are going badly, so that refusal to make tax cuts when things are going well simply means that taxes are never reduced.

It is argued, therefore, that the policy of controlling business trends by means of the budget should be abandoned, and that Britain should return to the old policy of controlling trends by bank rate changes. In other words, instead of maintaining high taxation in order to avoid inflation, taxation should be cut and the effect of this change should be neutralized by a higher bank rate.

Candidates for Stock-Splits?

"A record volume of stock splits looms as a distinct possibility in 1955. Economic and market conditions are propitious for continuation of the trend which characterized corporate practice in recent years. The list of favorable decisions expanded in 1954 to almost 100 from 68 in 1953 among companies in which there is reasonable market interest. The pronounced rise in share prices in recent months, accompanied by a growing scarcity of floating supplies in seasoned issues, has exerted pressure on managements to consider enlargement of capitalizations. Creation of larger issues of stocks through splits tends to encourage at least a moderate amount of profit-taking to increase the number of shares available for trading. Lower prices resulting from splits also provide an incentive for new investors, thereby expanding stockholder lists. Experience has shown that most buyers prefer stocks in a $20-$50 price range in the belief that prospects for appreciation are greater than when quotations reach higher levels. Moreover, the lower price permits wider diversification in portfolios of modest investors.

"In view of the necessity for obtaining approval of stockholders for capitalization increases, many managements endeavor to arrange for such action at annual meetings—most of which are held in the first six months of the calendar year. For this reason, investors have been searching for signs of preparations for stock splits in anticipation of realizing gains. Breakups of this kind usually find reflection in higher prices not only because of the probability of broader investor appeal but also because such decisions frequently pave the way for higher dividend rates. Now that need for retention of earnings to finance expansion seems to be diminishing, many managements are in position to distribute a greater proportion of profits. Where distributions to stockholders already seem historically high, directors may feel possible adverse criticism of dividend generosity would be avoided by dividing shares into smaller units.

"As a guide for investors interested in stocks regarded as candidates for splits, a tabulation is presented below indicating numerous issues commonly mentioned among experienced observers as well as companies which might be expected to favor stock dividends."—Written Jan. 7 by William R. White of Hornblower & Weeks, New York City.

Some Candidates for Stock Splits

Issue	1954 Price Range
Allied Chemical	104½ - 72½
Allis-Chalmers	74⅞ - 45⅛
Am. Agri. Chem.	91 - 57
Brown Shoe	83 - 60
Chi., R. I. & Pac.	91½ - 62½
Col. Broad. A & B	88½ - 41⅝
Douglas Aircraft	125 - 59½
du Pont (E. I.)	170 - 104⅛
Eastman Kodak	72 - 46¾
General Dynam.	79½ - 36
General Foods	80⅛ - 56⅝
General Motors	97¾ - 58¾
Hercules Powder	100⅝ - 68
International Paper	88½ - 55
Kennecott Copper	103¾ - 64⅝
Lion Oil	49⅞ - 30⅛
McGraw-Hill Pub.	63½ - 33⅜
Minne. M. & M.	90 - 55¼
Monsanto Chem.	106¾ - 79⅝
Pure Oil	74½ - 47
Republic Steel	75⅞ - 47⅜
Reynolds Met.	125 - 51⅝
Stand. Oil (N. J.)	112¼ - 71¾
Sunshine Biscuit	84½ - 71¾
Tex. Gulf. Prod.	93½ - 39
U. S. Gypsum	233 - 114½
Western Union Tel.	82 - 35¾

Public Utility Securities

By OWEN ELY

Colorado Interstate Gas Company

Colorado Interstate Gas is one of the oldest gas transmission companies, operations having begun in 1928, but its period of major expansion has been in the postwar period. The system originally consisted of two separate companies: Canadian River Gas Company produced and transported natural gas from the Texas Panhandle 86 miles to a point near Clayton, N. Mex., where Colorado Interstate purchased and transported it 254 miles to Denver and other markets along the route. At the end of 1951 Canadian River merged into Colorado Interstate.

In 1947, a 230-mile transmission line was constructed from the Kansas Hugoton Field to Denver, increasing daily delivery capacity by 100 million cubic feet, and in 1951 a 215-mile line was built from a new location in the Texas Panhandle to a point on the Hugoton-Denver line, further increasing capacity by 80 million cubic feet. In 1953 some $20 million was expended for a 50-mile line loop and various other additions, so that in a decade transmission capacity has been increased from 150 million to 572 million cubic feet per day and pipe line mileage has expanded from 680 to 2,300 miles. Gas plant has quadrupled, sales deliveries almost tripled and gas reserves increased from 3.8 trillion cubic feet to over 5.6 trillion cubic feet.

The area served by the company extends from the Texas Panhandle through eastern New Mexico and Colorado to Cheyenne, Wyo. Major sales areas include Denver, Pueblo and Colorado Springs (the latter the company's headquarters). At Denver and Pueblo it sells an average of over 230 million cubic feet of gas a day to Public Service Company of Colorado and its subsidiary companies. Colorado Fuel & Iron at Pueblo is an important customer. The company also supplies the Chicago market with 184 million cubic feet of gas per day, delivery being made to Natural Gas Pipeline Company of America.

The Denver area is showing rapid growth in population, and building construction of over $100 million last year was exceeded in the West by only Los Angeles. The area is attracting new industries, and military installations are being expanded, particularly for the air service. Other government activities are also moving to Denver and over 130 Federal agencies are already located there. Major industries in the area include agriculture, livestock raising, food processing, mining, oil and gas production, manufacturing and transportation.

The company's gas reserves are among the best in the industry in relation to current consumption, amounting to over 29 years' supply. Of the 5.6 trillion cubic feet reserves, the company owns over half and controls the balance under gas purchase contracts, most of which are for the life of production. The current average price paid for purchased gas is about 13 cents per mcf. The company in maintaining its reserve position by continuing to buy gas in all of the present supply areas.

The company had a favorable year in 1954, with an increase in physical sales of about 10½% and [illegible] gain in revenues to about $30 million compared with $18 million in 1953 (about two-thirds of this jump in revenues was due to a rate increase). Earnings for the calendar year 1954 are estimated at $2.25 compared with $1.45 in 1953, but these earnings are based in part upon rates which are still subject to final determination. Revenues did not include some $4 million reflecting an earlier rate increase on which a Supreme Court decision is awaited, but did include an $8 million rate increase on 1954 business (to offset higher costs of purchased gas) which the FPC still has to approve. Should the Commission not grant any of this increase, share earnings would be wiped out, but such a possibility seems very remote.

The company last July filed a second rate application with the FPC asking for an additional $10.2 million increase, this being based on sales of gas produced by the company itself, with the proposed rates to be based on the "fair field price," in line with the FPC policy announced in the Panhandle decision. If this increase should also be allowed, pro forma earnings might increase to around the $4 or $4.50 level, it is estimated. However, there is some doubt whether the Panhandle case can be taken as a precedent, for since that time the FPC has acquired power to regulate the field price of gas as set by independent producers—the yardstick used in the Panhandle case.

The company's future connection with the projected Pacific Northwest pipeline, now authorized by the FPC, is a favorable factor. President Mueller, in his recent talk before the New York Society of Security Analysts, stated: "At the outset, we will take about 100 million cubic feet of gas per day through this line. However, its capacity can be increased to over 200 million per day by the addition of horsepower. . . . Our principal interest in this project is on a long-term basis. Two factors are important to us in this respect: the connection to San Juan Basin supply, and the extension of our system across Wyoming. As to the latter point, the line will provide an incentive for the exploration and development of Wyoming reserves. Such efforts have been hampered in the past by the lack of pipeline outlets. Our line will provide a market for these reserves."

Colorado Interstate has been selling over-counter recently around 52, and based on the $1.25 rate yields 2.4%.

T. G. Patterson Now Preston, Moss Partner

BOSTON, Mass.—Preston, Moss & Co., 24 Federal Street, announce that Theodore G. Patterson has become a limited partner. Associated with the firm for a year as investment consultant, he formerly was vice-president and investment consultant of Fidelity Fund of Boston, and prior to that was associated with Loomis, Sayles & Company.

Sutro Bros. & Co. To Admit Two Partners

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Stephen H. Floersheimer and Morton Grayson to partnership.

1954 Corporate Bond Market Was Dominated By Public Employees' Pension Funds

Study made by Disque D. Deane, of Union Securities Corporation, indicates 36% of the $2.8 billion publicly offered bonds, rated A or better, were bought by public employee Pension funds.

According to a study made by Disque D. Deane of Union Securities Corporation, New York City, more than $1 billion of funds set aside for pensions for public employees such as teachers, firemen, policemen and civil servants were invested in the bonds of corporations in 1954.

Disque D. Deane

Pension funds, Mr. Deane contends, provided for 3,650,000 public employees and had approximately $10 billion assets by the end of 1954. They have been growing at a rate of 16% annually. During 1954, the Union Securities' study showed, the funds actually dominated the high grade long-term corporate bond market. They bought 36% of the $2.8 billion publicly offered corporates rated "A" or better, or 62% of the $1.6 billion corporates rated "AA" or better. Approximately 60% of their money available for investment during 1954 was used to take advantage of the yields available in corporate bonds.

Public pension funds have become major competitors with other institutions in the corporate bond market only recently, the Union Securities' study explained. The development has been made possible by the rapid growth of the funds and the liberalization of their investment policies. Over three-quarters of the funds can now include high grade corporate bonds as pension reserve investments.

In the near future, it is expected that two of the nation's largest funds, The New York City Teachers Retirement Fund and the various Illinois retirement funds, will be actively purchasing corporate bonds.

The Union Securities' study noted that conservative investment limitations, imposed by law in some cases, make the long-term, high grade corporate bond market a natural investment target for the funds. With an even broader interest in the market for corporate bonds a near-term possibility, the question of a future adequate supply of investments is concerning many pension fund investment managers.

There seems to be general agreement that public securities will have to be used as investment outlets for the funds. Because of large supply and a presently limited market, long-term revenue bonds should be attractive investments for the funds, the study noted.

The difficulty the funds will face with revenue bonds, however, is that of selection. Most revenue bond projects involve construction and as a consequence are not rated by many of the rating services. The securities are originally priced and sold to the public on the basis of the economics of the project and the engineers reports, both of which can be wrong. If public funds are to invest in this field, the Union Securities' study recommended, they should have a competent and experienced finance committee and an able investment staff. The study pointed out that it might also be well to set a percentage limitation on the portion of the funds that can be invested in revenue bonds by class.

The study predicted that in 1955 pension funds will be even more important factors in the long-term corporate and revenue bond markets. At the present growth rate the funds should have assets of $19 billion by the end of 1959.

John P. Germain Joins Eastern Securities

Eastern Securities, Inc., 120 Broadway, New York City, announce that John P. Germain is now associated with their firm as vice-president.

John P. Germain

Auchincloss, Parker Adds G. D. Muller

Auchincloss, Parker & Redpath, 52 Wall Street, New York City, members of the New York Stock Exchange, announce that Gordon D. Muller has become associated with the firm. Mr. Muller was formerly with Eastman, Dillon & Co.

William B. Steinhardt

William B. Steinhardt, member of the American Stock Exchange, passed away Jan. 4 at the age of 61.

Continued from page 8

The Market . . . And You

time the payment was made official.

* * *

Dramatic Superior Oil

For decidedly erratic action, the week's offering was Superior Oil of California, second highest-priced issue on the Stock Exchange. On the heels of a halving of the annual dividend from the $2 paid last year to $1 in the latest declaration, the issue turned active and appeared on several sales in a couple of hours on a price advance of 45 points. It guaranteed that the issue, which for long has been the lowest-yielding common stock among dividend-paying Big Board issues, would continue to offer a fraction of a percent for its holders.

For the other oils the overall picture continues to be one mostly of backing and filling, some of the issues milling around on wide changes with Standard Oil of New Jersey joining this group with a fat advance one day that was pretty well erased the following. Barber Oil showed among the wide-movers with a bit more persistence that included making a new high.

* * *

Some of the amusement issues were also able to keep up enough steam to forge into new high territory, including Twentieth Century-Fox while Loew's continued to get a good play on strength although it wasn't overly anxious to make the new highs list.

In the metals section the interest veered away a bit from the steels where it has been pinpointed for so long. American Metal Co. and Kaiser Aluminum took over the play on one day after Anaconda and Kennecott had run out of steam after a good performance on their part.

* * *

A Record Transaction

An incidental feature of the week was the largest block of one stock to change hands at one time — 357,500 shares of Pantepec Oil, a small Venezuelan operation. It took more than two hours to match orders to get this block together at about a one-third price jump. It nudged out the 350,000 shares of the now defunct Commonwealth & Southern that set the previous record in 1949.

* * *

The specific reason for this outburst was a highly glowing Sunday night newscast plug for the company with some optimistic reports of what it was doing. The hop in the stock was momentary, however, as Pantepec officials rushed to discount some of the reports and deny others. They added that even from their vantage position on the inside they could think of nothing to prompt any such widespread interest or unusual price action.

* * *

Strong Cements

Cement shares have been moving back to the strength side once more after their recent consolidation and Penn-Dixie particularly has been able to carve out some good gains. The issue in the group that is still showing a bit of contrariness is General Portland. Penn-Dixie and Lehigh Portland had the distinction of being the group leaders by doubling in price in 1954, although the others weren't too much laggard behind them and price appreciation ran 75% or so for them.

* * *

Northrop Aircraft, which ran up the second best price appreciation of 300% last year (Consolidated Electronics, formerly Reynolds Spring with a 455% price advance was No. 1), calmed down from its recent persistent strength while the entire aircraft group held somewhat mixed this week after having served as a selling target for the break without too much in the way of recovery showing afterward.

* * *

Chemicals also continued on a somewhat uncertain path, Du Pont still somewhat erratic but trading in some wide swings while Allied Chemical for the most turned in a discouraging performance with momentary strength fading out even before the session's close.

* * *

Montgomery Ward started to show signs of warming up for the hot proxy battle due this Spring with some gyrations that included one day's peak hop of around 5% on what the brokers could only describe as the expectation of "something" coming along in the news.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

$20 Million Bonds of Los Angeles Schools Offered to Investors

A syndicate jointly managed by Halsey, Stuart & Co. Inc.; Lehman Brothers and Harriman Ripley & Co., Incorporated, is offering $20,000,000 Los Angeles, Cal. 2½% School District Bonds, due Feb. 1, 1956 to 1980, inclusive.

The bonds are scaled to yield from .90% to 2.50%, according to maturity.

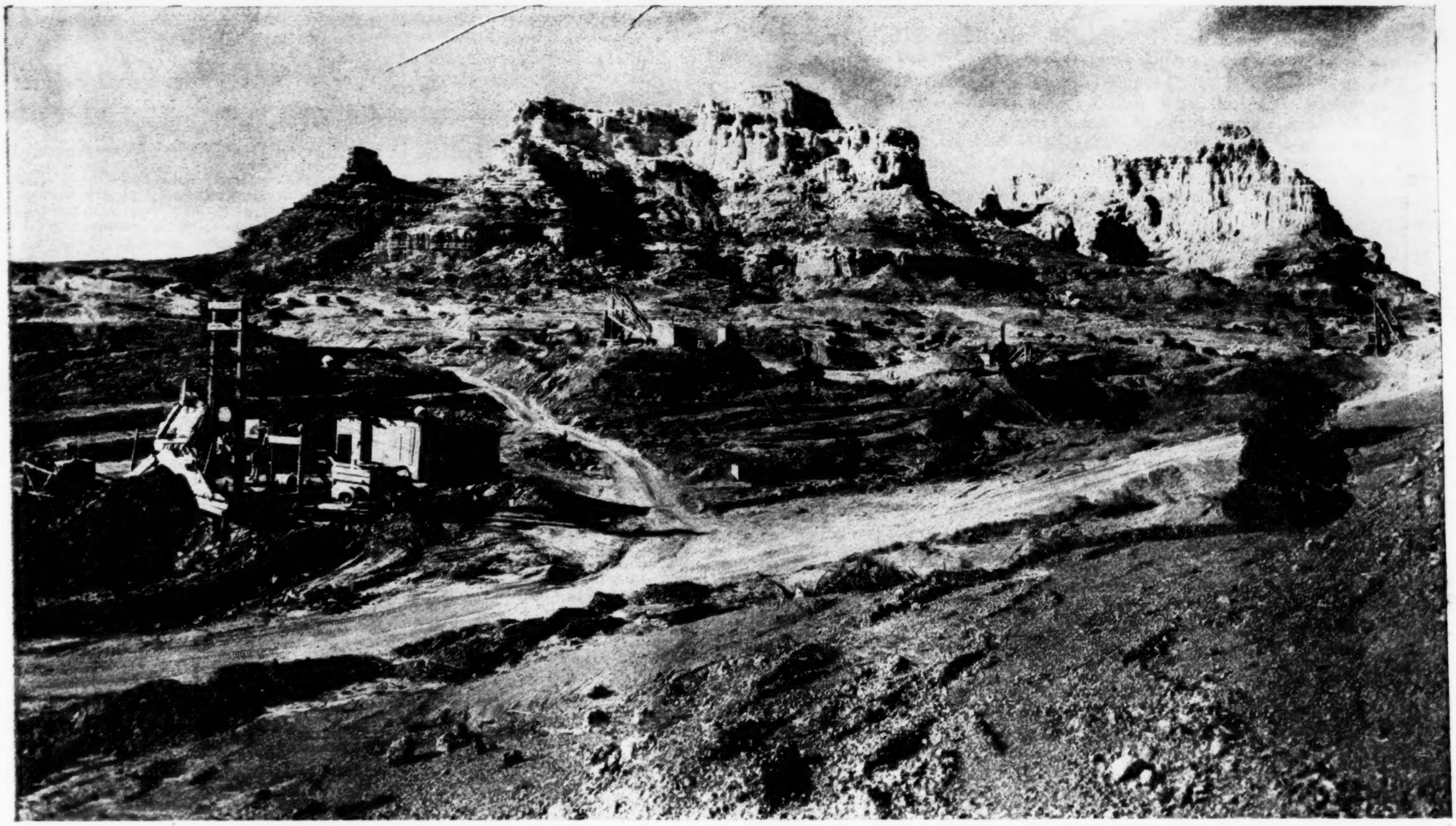
Other members of the offering group are: Weeden & Co. Incorporated; Blair & Co. Incorporated; Phelps, Fenn & Co.; Kidder, Peabody & Co.; Goldman, Sachs & Co.; Union Securities Corporation; Shields & Company; Paine, Webber, Jackson & Curtis; Salomon Bros. & Hutzler; Eastman, Dillon & Co.; A. C. Allyn and Company Incorporated; White, Weld & Co., Stone & Webster Securities Corporation; F. S. Moseley & Co.; Braun, Bosworth & Co. Incorporated; B. J. Van Ingen & Co. Inc.;

Alex. Brown & Sons; Hemphill, Noyes & Co.; Hallgarten & Co.; Fidelity Union Trust Company; First of Michigan Corporation; Baxter, Williams & Co.; National Bank of Commerce of Seattle; Geo. B. Gibbons & Company Incorporated; Eldredge & Co. Incorporated; Central Republic Company (Incorporated); Adams, McEntee & Co., Inc.; Schwabacher & Co.; McCormick & Co.;

Hayden, Miller & Co.; Stern Brothers & Co., Rand & Co.; McDonald & Company; A. Webster Dougherty & Co.; Rambo, Close & Kerner Incorporated; Farwell, Chapman & Co.; Thomas & Company; Harold E. Wood & Company; Stranahan, Harris & Company; Talmage & Co.; Indianapolis Bond and Share Corporation; Schaffer, Necker & Co.; Malvern Hill & Company Incorporated; John Small & Co.; W. L. Lyons & Co.

Now Gen. American Secs.

DALLAS, Tex.—The firm name of General American Investment Corporation, 1915 Live Oak St., has been changed to General American Securities, Inc.



A small portion of the acreage owned or leased by Consolidated Uranium Mines, Inc. in the Temple Mountain area of the Colorado Plateau showing high-grade black ore pile at A.E.C. #9 Unit in left foreground.

MIRACLES... in the making

. . . miracles because American science has harnessed the mighty atom for peaceful purposes,

. . . miracles because only our free enterprise system can provide the venture capital and incentive to breach the fastnesses of the unknown!

Many nations and many people have matched the knowledge and resources which we Americans take for granted. But none—given all the same conditions of creativity—can hope to equal our achievements in *applied development*. The automobile, the airplane, radio, television, medicine, automation—all illustrate and strengthen this contention. And there is now every reason to believe that peaceful applications of Atomic Energy will follow the same pattern.

Yes, *applied development* will be the factor enabling the science of nucleonics to take its rightful place in the long roster of American 'firsts'. *Applied* because we have an economic system that encourages the employment of venture capital, and rewards handsomely the providers. *Development* because we have the vision, initiative and inventiveness to improve. The catalyst which activates these two powerful ingredients is the securities underwriter. He knows where investment funds are available; he knows where these funds may be put to work profitably. He advises the corporation needing funds what type of securities will be marketable, and where. And he advises his clients (both dealers and individuals) about the risks involved in any investment, as well as the likelihood of growth and profit.

We are proud of the role we've played in the early applied development of atomic energy. An example of the constructive progress which resulted from our underwriting efforts on behalf of Consolidated Uranium Mines, Inc. is well portrayed in this record of growth—growth made possible by adequate financing:

Fiscal	Dry Tons Produced	Gross Receipts
1951	10,513	$ 227,960
1952	17,995	445,330
1953	36,768	1,212,263
1954	62,588	1,969,445
Aug., Sept., Oct. 1954	17,169	518,289
Total	145,033	$4,373,287

We have every confidence that this encouraging rate of production will be maintained and increased. It is pertinent to note that practically all of the uranium ore so far produced has been mined from just 100 acres of the vast acreage owned or leased by Consolidated! There are more leases and acreage behind each share of Consolidated than any other uranium mining stock we know of.

If you want to associate yourself with the Atomic Age, and if you can afford to speculate—write us for full details on the common stock of Consolidated Uranium Mines, Inc. which is traded daily by brokers and dealers from coast to coast.

TELLIER & CO.

ESTABLISHED 1931

1 Exchange Place, Jersey City 2, N. J. DElaware 3-3801

Free telephone from N. Y. City: Digby 4-4500

CUT OUT AND MAIL

C-13

TELLIER & CO.
ESTABLISHED 1931
1 Exchange Pl., Jersey City 2, N. J. DElaware 3-3801
Free telephone from N. Y. City: Digby 4-4500

GENTLEMEN: Without obligation, send me Progress Report and the latest Financial Statement on Consolidated Uranium Mines mentioned above.

NAME . . . .
(Print)
ADDRESS . . . .
CITY . . . . STATE . . . .

Stronger Competition to Feature Business Trend

In report to shareholders at the 143rd Annual Meeting, signed by Howard C. Sheperd, Chairman of the Board; James S. Rockefeller, President, and Richard S. Perkins, Vice Chairman of the Board, a more active and still more competitive year in business in 1955 is forecast by National City Bank officials.

The 143rd Annual Report to shareholders of the National City Bank of New York, signed by Howard C. Sheperd, Chairman of the Board; James S. Rockefeller, President; and Richard S. Perkins, Vice-Chairman of the Board and presented at the annual meeting on Jan. 11, in reviewing the bank's operations during the past year, concludes with an optimistic note on the forthcoming developments in business in 1955.

Howard C. Sheperd

James S. Rockefeller

Richard S. Perkins

"At the year-end," the report states, "the trend of business is upward and sentiment is optimistic, in contrast with the end of 1953 when conditions were the reverse. A year ago many feared that the recession might feed on itself, but the decline leveled out in the spring, and the fall pickup followed. In business history we believe 1954 will be known less for its recession than for its demonstration of the elements of stability and strength which moderated the decline. Social Security payments and tax reductions maintained spendable income. A monetary policy of 'active ease' and a strong and liquid financial position kept the markets free of forced liquidation and credit contraction.

"Many of the stabilizing influences will continue at work in the future. At the same time the growth characteristics of the economy are evident in rapid technological progress, population increase, and sustained investment and construction. It should not be inferred, however, that 'stabilizers' and long-run growth factors will always protect the economy from major setbacks, or that there is any effective substitute for sensible behavior and sound management of private and public affairs.

"We expect 1955 to be a more active, and a still more competitive, year in business than 1954. Our own results will necessarily be influenced by general conditions, and by monetary and other government policies. By reason of its strengthened capital position, the Bank is better prepared than ever before to contribute to and share in business growth. We are constantly seeking to improve our services and our operations, and to build soundly for an expanding future. We are likewise conscious of our public responsibility, as a large bank, to do our part in promoting economic stability and the general welfare."

Combined net current operating earnings of the National City Bank and the City Bank Farmers Trust Company for the year were $33,766,726 compared with $31,270,997 for 1953. The 1954 earnings were equivalent to $3.38 per share on the basis of the 10,000,000 shares outstanding at the year-end. The 1953 earnings were $4.17 per share on the 7,500,000 shares then outstanding; if calculated on 10,000,000 shares for comparative purposes, the figure would be $3.13. No way of comparing earnings in per share terms is wholly satisfactory in a year when a substantial increase occurs in capital stock, and correspondingly in earning assets, applicable only to two months of the year.

Profits on sales of securities of the Bank and the Trust Company, after deduction of the related taxes, totaled $7,916,675, or 79 cents per share, compared with a loss of $487,173 in 1953.

The combined total of net current operating earnings and securities profits for the two institutions was $41,683,401 for 1954 compared with $30,783,824 for 1953. On the basis of 10,000,000 shares, the respective figures were $4.17 and $3.08 per share. Recoveries are not included in these figures as they are credited directly to reserves.

Aluminium Ltd. Offers Stockholders Rights For 904,314 Shares

Aluminium Ltd., currently the world's second largest producer of aluminum ingot, is seeking approximately $40,000,000 in new capital funds to help finance an expansion of its facilities calculated to give it the largest installed capacity in the industry.

The Canadian holding company, which controls subsidiaries operating plants in more than 20 countries, is offering to holders of its common stock of record Jan. 7, 1955, rights to subscribe to an aggregate of 904,314 additional shares of capital stock, without nominal or par value. Stockholders are being offered the right to purchase one additional share for each 10 shares held on the record date at a price of $47.60 a share in United States dollars or $46 a share in Canadian dollars. The subscription offer expires on Jan. 31, 1955.

A nationwide soliciting dealer group managed jointly by The First Boston Corp.; Morgan Stanley & Co. and White, Weld & Co. has been formed to solicit subscriptions in the United States. A similar group headed by A. E. Ames & Co. Ltd. will solicit subscriptions in Canada.

Proceeds from the current financing will be used together with other funds to increase annual ingot production capacity at the company's Kitimat, B. C., smelter from 91,500 tons to 151,500 tons by the first half of 1956. This increase will involve installation of a new generating unit of 150,000 h.p. at the company's hydro-electric development at Kemano, 50 miles distant, thereby raising the plant's generating capacity to 600,000 h.p. In 1954 the company completed a four year expansion program in this region to meet the intensified defense requirements in North America and abroad and the increased civilian demand for its products.

Aluminium Ltd. and its subsidiaries together constitute an integrated enterprise engaged primarily in all phases of the production, as well as fabrication and sale of aluminum. In 1953, the company produced approximately 553,000 tons of ingot. As of Sept. 30, 1954, distribution of the gross fixed assets of the company was: hydroelectric power 49%; smelting 33%; fabricating 8%; mining 5%; transportation and others 5%.

Consolidated net sales and operating revenues for the nine months ended Sept. 30, 1954, totaled $240,000,000. Net income for the period amounted to $26,904,000, equal to $2.98 per share of capital stock.

Giving effect to the issuance of the additional shares, the company will have outstanding 9,947,461 shares of capital stock.

J. Streicher Partner

J. Streicher & Co., 19 Rector Street, members of the New York Stock Exchange, on Jan. 6 is admitting Judson L. Schuman to partnership.

Coburn & Middlebrook Add

(Special to The Financial Chronicle)

HARTFORD, Conn.—Alfred J. Spain has been added to the staff of Coburn & Middlebrook, Incorporated, 100 Trumbull St.

Joins Hancock, Blackstock

(Special to The Financial Chronicle)

ATLANTA, Ga.—Mrs. Betty I. Burdette has been added to the staff of Hancock, Blackstock & Co., Candler Building.

With Renyx, Field

DENVER, Colo. — Dorothy M. Hollenbeck has joined the staff of Renyx, Field & Co.

Securities Salesman's Corner

By JOHN DUTTON

First Article in a Series on Developing New Accounts

If you are of the opinion that the present is an opportune time to develop new accounts we would like to suggest that you consider several suggestions, the first we are presenting in this week's column.

Key Your Advertising

People do not buy securities, they fill needs to satisfy wants. Sometimes these needs and desires lay dormant until a set of circumstances come along and create motivating forces, which, when stimulated by the proper type of suggestion, lead to action. This is a basic principle of creative selling, and those who are successful in obtaining a favorable response to their appeals for consumer acceptance in any field of marketing are well aware that there is a time to strike out for results, and when that time comes you should hit hard and consistently.

In my opinion there are no conflicts between those who are merchandising interest savings accounts, savings and loan shares, government savings bonds, and those who are offering common stocks. Those who sell investments primarily backed by fixed dollar assets have their purpose to fulfill as far as the investor may be concerned. The same is true of those who are selling shares in our growing American business firms likewise. The former sell static, limited, fixed income growth, with no possibility of enhancement in value of the principal but a stated guaranteed return of invested capital measured in fluctuating dollars. The latter offer larger income, fluctuating value, and a possible growth or decline in value depending upon the future. The success of the savings institutions has been due to a desire on the part of the public to find what they think consider security by turning to fixed dollar investments. The advertising of these institutions has been keyed to this understanding of the public's mood during the past decade.

There Are People Who Want Growth of Capital—Seek Them

In every community in this land there are people who are beginning to think today about ways and means they can use to build up their capital through investments in other mediums besides the lower income paying savings institutions. The future is beginning to beckon. The next ten years, we all know, may offer an opportunity to those who invest their present capital in "growth" **companies that should be the best we have ever known in our entire national history.** The atomic age is here, the electronic age is just beginning, the great public works and road building programs are ahead of us, our population is growing at the rate of about 2,500,000 per year, and the public, which for the past ten years has been hoarding its money in fixed dollar investments, is beginning to hear more and more about the investment opportunities that now abound.

A sound approach to "new accounts" then should follow that if you key your advertising to this theme you should obtain interested inquiries. But just mentioning "growth stocks" is not enough, nor is it going to be a profitable campaign if you talk about statistics, price times earnings, book value, etc., etc., in your advertising. The idea that should be sold is **"Where are you going to be five years from now—ten years from now—financially."** I am not going to try and write the ad for you in this column because there are many good advertising agencies that you can secure to do this job for you better than can I, or possibly there are those on your staff who can take this thought and develop it into an advertisement that you can repeat and repeat if it brings results in your daily paper.

Sell the idea of sharing in this great future that beckons to us. "Where are you going to be some day?" "Are you going to look back and say I wish I had invested some of my idle dollars in growing America instead of **doing nothing about it when I had the opportunity."** This is the way I would approach the subject. I would mention the atom and the electron, the march of science, and the great companies that are spending billions on research every year to make life better for all of us and create more earnings for their shareholders. And I would invite the readers of this type of advertising to send for literature that would help them to determine whether or not they wished to go farther and come in and talk it over. This means a little work on the part of your advertising and sales promotion departments, but you could write one of the most convincing booklets on this subject in your own words, just from following some of the articles and talks that appear weekly right in the "Chronicle."

After you have contacted those who reply by mail, you could put your most enthusiastic and capable salesmen on these leads. Those who are worth following should be receptive and should become new customers. If you wish you could arrange one or two evenings a week for interviews at your office for those who cannot come to see you during the day. Those salesmen who are interested in such a campaign should develop a number of new accounts by following this plan. But you must have the cooperation of your entire organization—and your advertising and mail follow-up must be down to earth; it should talk to your prospects in lay language, and it should stress the theme, **"The future beckons, find out how you can make your surplus dollars grow with America."**

Such a campaign, well planned, and properly followed should be successful **now.**

* * *

Next week's article will deal with a specific advertisement that is pulling leads from qualified prospects, using another idea that can be adapted for use in certain localities where there is an influx of new residents.

With Johnson, Lane, Space

(Special to The Financial Chronicle)

ATLANTA, Ga. — William G. Hays, Jr., has become connected with Johnson, Lane, Space & Co., Inc., Citizens & Southern National Bank Building.

With Barclay Investment

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert F. Romaine is now connected with Barclay Investment Co., 39 South La Salle Street.

With B. C. Morton

(Special to The Financial Chronicle)

DETROIT, Mich.—Raymond E. Spencer has been added to the staff of B. C. Morton & Co., Penobscot Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to be on the cautious and uncertain side, because there are developments in the monetary picture which have an effect upon the price action of Treasury obligations. The change in credit policy from "active ease" to "flexible ease" has been supplemented by another factor, the increase in margin requirements in the purchase of common stock. This new development is more of an indirect force as far as the government market is concerned, but it has already had a marked influence upon the thinking of some of those that are operators in the money markets.

The boom in the equity market is beyond doubt a point of concern to the monetary authorities and measures have been and will continue to be taken to bring it under control. The big question now is, whether the bond market and business will be adversely effected in the process.

Higher Margins Affect Government Market

The common stock market, and what it does in the way of price movements, is having a very pronounced influence, not only on the thinking of operators in the government market, but also on the trend of quotations of Treasury obligations. The raising of margin requirements also had an effect on the government market, since the prices of these securities have assumed a more defensive tone. To be sure, there have been minor rallies in certain of the government issues now and then, but the thinking among not a few money market specialists is that until things are straightened out in the common stock market a cautious attitude in the government market is quite likely to keep it on the uncertain side.

The raising of margin requirements in the equity market is being looked upon by some in the financial district as another step in the chain of changes which will be made by the monetary authorities. These will be carried out, it is believed, in order to prevent a boom in the equity market from causing a healthy recovery in business to generate into an inflationary boom in business, a condition which would not be favorable to the country.

Straws in the Wind

The government market is already on notice that a change in emphasis has been made in the credit policies of the powers that be. However, up to the present time not too much is known about the "flexible ease" policy, aside from a minor tightening so far in the money market brought about through the sale of Treasury bills by Federal. The slightly firmer monetary policy of the Federal Reserve authorities which has been witnessed so far should not be a point of concern to money market operators, because these conditions have been witnessed in the past and there were very few that were hurt by such developments.

However, there is another factor in the situation this time which makes it a somewhat different picture and that is the trend of prices in the common stock market. The amount of bank credit which has gone into the equity market is still small, even though of late it has been increasing. The control factor over credit going into common stocks is not as strong as it might be because of cash purchases.

Divergent Views on Credit Policy

The fear among some in the money market is that the equity market, because of the large supply of funds (not bank credit) seeking an outlet, will continue to move ahead, with of course due allowance for technical corrections. If this should be the case, it seems logical to expect that the Federal Reserve Board would again increase margin requirements in the common stock market. Also under such conditions, there might also be a further tightening of interest rates, which would have an effect upon the trend of prices of government securities.

On the other hand, there are those in the money market who hold to the belief that the Federal Reserve Authorities will be able to curb the boom action in the common stock market through the direct action of higher margin requirements. They are also of the opinion that indirect measures such as higher interest rates will not be needed to bring the equity market under control. Accordingly, they are not expecting more than a very modest tightening of interest rates.

James Gerrard With Darwin H. Clark Co.

LOS ANGELES, Calif.—James W. Gerrard, well-known industrial advertising man in the West, has joined the staff of Darwin H. Clark Co., 1145 West Sixth Street, advertising agency, as account supervisor of the firm's Los Angeles headquarters. He is first vice-president of the Southern California chapter of the National Industrial Advertisers Association and for the past five years has been head of the 15-man advertising and sales promotion department of the Beckman division of Beckman Instruments, Inc., of Fullerton, California.

The Clark agency handles many leading instrument, electronic, oil-tool, chemical, aviation, metal processing and other industrial accounts. As exclusive Los Angeles member of Transamerica Advertising Agency Network, it has affiliated offices in 18 principal cities of the United States.

NYSE Has New Style on Quotes on Late Ticker

In order to expedite the publication of transactions on the ticker tape, the New York Stock Exchange has determined that, effective at the opening on Jan. 11, 1955, when the tape is late two minutes or more, the last two digits of the volume of transactions of 1,000 shares or more in 100-share unit stocks will be deleted; for example, a sale of 1,000 shares of XYZ Corporation stock at 68 will be printed "XYZ 10S8."

Also, when the tape is late two minutes or more, sales in 10-share unit stocks will not be printed on the ticker tape until it is abreast of the market.

Lucas, Eisen Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Billy T. Wall has been added to the staff of Lucas, Eisen & Waeckerle, Inc., 916 Walnut Street Building, members of the Midwest Stock Exchange.

Curtis J. Straus Joins John R. Boland & Co.

Curtis J. Straus, formerly of Heimerdinger & Straus and previously in an executive capacity with Hallgarten & Co., New York, has joined John R. Boland & Co., Inc. underwriters, wholesalers and distributors of corporate securities, of New York City.


Curtis J. Straus

Mr. Straus started his securities career in Berlin, Germany, with Hardy & Co., in charge of their foreign department directing all transactions with European and United States interests, from which connection Mr. Straus became associated with Hallgarten & Co.

In his New York connection, Mr. Straus has written for publication many articles on finance, both domestic and foreign, concentrating in recent years on dissemination of constructive information about the over-the-counter securities market.

Public Relations Soc. To Hear at Luncheon

CHICAGO, Ill.—The Public Relations Society of America will hold a special luncheon meeting Jan. 18 at the La Salle Hotel Ballroom.

William G. Maas of White Weld & Company, investment securities firm at 231 South La Salle Street, will speak on financial relations. Mr. Maas, one of Chicago's widely known authorities in this challenging and growing field, is President of the Investment Analysts Society of Chicago. Because of timeliness and widespread interest and importance of his subject, members of the Chicago chapters of the Investment Analysts Society and the Financial Public Relations Association are invited to join the Chicago Chapter, Public Relations Society of America for this luncheon meeting. PRSA members are urged to bring their company or client financial officers as their guests. The meeting place has been changed to the La Salle Hotel ballroom to accommodate record attendance.

Mr. Maas will review the subject of financial relations as viewed by brokerage firms, the Investment Analysts Society of Chicago and other member organizations of the National Federation of Financial Analysts Societies, Inc. He may be expected to outline as part of his talk, how a company story should be presented before his financial professional group or a comparable organization in another city; who should present the story; what should be said; what materials should be used in the presentation and other pertinent suggestions.

Tariff for guests $3.45 per person including all gratuities and charges.

Rudy Washburn Opens

(Special to The Financial Chronicle)

OAKLAND, Cal.—Rudy Washburn is engaging in a securities business from offices at 3704 Telegraph Avenue.

Sears & Hill Formed

(Special to The Financial Chronicle)

SANTA BARBARA, Calif.—Allen C. Sears and Milton A. Hill have opened offices at 2031 Santa Barbara Street to engage in the investment business under the name of Sears & Hill.

Warns Against Speculation and Extravagance

In letter to stockholders, Henry C. Alexander, President of J. P. Morgan & Co. Incorporated, warns stability and growth can be attained only by production, enterprise and savings, not by speculation and extravagance.

In his annual letter to stockholders reporting the bank's operations, Henry C. Alexander, President of J. P. Morgan & Co., Incorporated, expressed an optimistic view of business conditions in 1955, but warned against achieving stability and a growing economy "by speculation and extravagance."


Henry C. Alexander

"While conditions under which we shall operate in the coming year cannot be foreseen," Mr. Alexander stated at the conclusion of his letter, "business generally looks forward to a good year with activity expected to equal and perhaps surpass 1954 levels. With this outlook as we start the year, it is well to remember and to say again that the solid objective to be sought by government and citizens alike is a stable but growing economy—avoiding as we go, both inflation and deflation. Stability and growth can be attained only by production, enterprise and saving—not by speculation and extravagance."

"The year just ended, Mr. Alexander stated," was one of further progress for the company in many areas of banking activity. Its role in meeting the financial needs of business and industry continued to broaden. While the company's net operating earnings were lower than for 1953, its net earnings, including investment security profits, were the highest attained in any year since the incorporation of the company.

"In the broad field of economic and financial affairs, there are factors that are significant in their effect upon banking operations and earnings. During the past year, operating earnings were adversely affected by the somewhat lower level of general business activity than in 1953, resulting in less demand for business loans, and by generally lower interest rates and yields on loans and investment securities. While business stayed at a good level, it was a period of readjustment from the peaks of 1953. Furthermore, measures taken by the fiscal and monetary authorities to encourage economic activity tended to make the supply of credit easy and cheap, with consequent lowering effect upon interest rates and yields. Lower interest rates and yields meant, however, generally increased valuations for investment securities and the opportunity for realizing profits from refundings and sales. These factors were significant in the operations and earnings of the company during the past year."

J. P. Morgan & Co.'s net operating earnings for 1954 amounted to $4,802,329 compared with $5,144,574 for 1953. However, net earnings, including investment security profits and after additions to reserve for bad debts, amounted in 1954 to $5,362,965 compared with $4,912,941 for 1953. Based on the 300,000 shares of the company's stock now outstanding, net operating earnings for 1954 were $16.01 per share compared with $17.15 per share for 1953, while net earnings were $17.88 per share for 1954, compared with $16.38 per share for 1953.

On March 31, 1955, J. P. Morgan & Co. Incorporated, will complete 15 years as an incorporated bank. As stated by Mr. Alexander, while this is a short period when compared with the long banking tradition of the company's predecessor firms, the first decade and a half of corporate existence has shown gratifying development and growth both in the kinds of services rendered and in the number of clients served. This has brought improved financial results, with increased benefits to the stockholders.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Reported earnings of the large commercial banks now being published, indicate that 1954 was one of the most successful years in the history of many institutions.

In spite of some softening in interest rates, a slackening in loan volume and increases in expenses, operating conditions enabled all the banks, with one or two exceptions, to show a gain in net operating earnings for 1954 as compared with 1953. In most instances the increase was modest. Nevertheless, it permitted many of the banks to show the highest operating earnings yet reached.

Among the larger banks, security transactions were a very important profit item last year. In contrast to 1953 when banks showed very substantial losses from this source, large profits were established. One of the most striking example in this connection is that of Guaranty Trust Company of New York. In 1953, this Bank reported a loss on securities of $1,490,410. For 1954 this loss was converted to a profit of $10,169,080. Similarly in the case of the Chase National Bank. Losses on securities in 1953 amounted to $3,529,000. In 1954 Chase showed net profits from this source of $7,876,000.

In many instances these profits (or losses) were not transferred directly to the undivided profit account or reported as earnings, but credited directly to reserves. Thus, the operating statements or changes in book values did not reflect the large profits.

Nevertheless, book value did gain in almost every instance, in some cases by substantial amounts. From every indication these were also substantial additions to internal reserves.

Figures for all of the major banks throughout the country are not as yet available. The results for 15 of the principal New York banks, however, have been published. In the tabulation below we present the per share operating earnings of 1954 and 1953 adjusted for stock dividends paid in the past year for the New York banks. Also shown are the indicated earnings as determined by changes in book values after making allowances for dividends declared during the year.

	Operating Earns.		Indicated Earns.	
	1954	1953	1954	1953
Bank of Manhattan	$2.90	$2.70	$2.66	$2.61
Bank of New York	33.24	31.76	28.27	26.86
Bankers Trust	4.57	4.17	5.02	3.69
Chase National	4.27	4.13	4.22	2.98
Chemical Corn	3.50	3.58	3.49	3.42
First National	24.13	23.76	25.94	23.16
Guaranty Trust	4.30	4.44	5.54	4.50
Hanover Bank	7.49	7.31	7.26	6.47
Irving Trust	1.80	1.73	1.64	1.37
Manufacturers Trust	5.88	5.81	5.88	5.81
Morgan, J. P.	19.20	20.58	17.87	16.38
National City	3.38	3.13	2.66	2.24
New York Trust	9.35	9.01	9.35	9.01
Public National	3.62	3.60	3.62	3.60
U. S. Trust	22.06	21.66	22.06	21.66

Of the 15 banks, three reported slightly lower net operating earnings. All, however, showed a gain in indicated earnings reflecting, primarily, the profits on security transactions. As is evident these were substantial in some instances.

Larger income from security investments was also the reason the banks were able to report a gain in operating earnings even though interest rates were declining and loans were stable.

The larger volume of funds invested as a result of a gain in deposits and lower reserve requirements, permitted a gain in earnings from this source and when combined with a better return from trust business and other services, this enabled the banks to offset larger expenses and in some instances taxes. The final results was generally favorable.

Looking forward to next year, there is considerable optimism about operating prospects: Several managements have indicated they expect a higher level of operating earnings for 1955.

Three With Standard Inv.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Patric A. Mar-Tone, Lyndon H. Osmundson and Le Roy A. Owens have become connected with Standard Investment Company of California, 210 West Seventh Street.

Joins Harbison, Henderson

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Roland L. Wack has been added to the staff of Harbison & Henderson, 385 East Green Street.

Confidence of Business Community Cited

In Annual Report to stockholders, J. Luther Cleveland, Chairman of the Board, and William L. Kleitz, President of the Guaranty Trust Company of New York, say achievements of the Administration has done much to restore confidence of business community, and all segments of the economy can look forward to renewed prosperity.

In the Annual Report to stockholders, covering the calender year 1954, J. Luther Cleveland, Chairman and William L. Kleitz, President of the Guaranty Trust Company of New York, expressed the view that the achievements of the Administration evidencing its

J. Luther Cleveland William L. Kleitz

faith in the underlying vitality of a free market economy have done much to restore the confidence of the business community in the Federal Government, with the result that agriculture, commerce, finance, industry and labor can look toward the future with renewed hope for well-founded prosperity, sound money, and preservation of basic liberties.

"Banking developments in 1954 were largely a reflection of the general business situation," the report adds. "Loans by banks declined slightly as a result of lower levels of business activity, reduced inventories, and the extension of credit by lenders other than banks. These factors, together with a continuing high rate of saving and the impact of Federal Reserve policy, also caused interest rates to decline. Coupled with high costs, they had an adverse effect on the operating earnings of banks. Their consequences were more than offset, however, by increases in investments and in profits on securities."

Commenting further on developments of the year, the report emphasizes that "the Federal Government has played a generally constructive role during the adjustment period. Having decided that a reduction in defense expenditures was justified by the truce in Korea, it was faced with two broad alternatives. It could expand other governmental activities in an attempt to take up the slack caused by lower military outlays, or it could try to encourage private business to bridge the gap. Fortunately for the nation, it chose the latter course, and in so doing reversed the previous dual trend toward inflation and political domination of the economic scene.

"Specifically, the government wisely rejected demands for an all-out 'crash' program of governmental 'pump-priming.' Instead, it proceeded calmly with measures designed to facilitate rather than prevent the corrective and transitional process. Among other things, it reduced the tax burden and sponsored the first comprehensive revision of the nation's tax laws since 1875. The Federal Reserve System also made an important contribution to business confidence during the transitional phase by timely employment of a flexible monetary policy."

Guaranty Trust net profits for the year amounted to $27,714,013.07, or $5.54 per share, as compared with $22,483,120.63, or $4.49 per share, for 1953, showing an increase of $5,230,892.44. Net profits in 1954 included non-operating items, after applicable taxes, of $6,210,465.68, consisting for the most part of investment security profits. Net operating earnings after taxes amounted to $21,503,547.39 as against $22,186,388.81 in 1953. Dividends declared by the company in 1954 amounting to $18,000,000, or $3.60 per share, constituted 64% of net profits.

Lauds Free Federal Reserve

January issue of "The Guaranty Survey" says, since Federal Reserve System has been "liberated," it has proven its value and has given an excellent account of itself.

An editorial article in the current issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, applauds the "liberated" Federal Reserve System as proving its value and as giving an excellent account of itself. The editorial discusses the recent hearings in Washington on monetary policy and comments that for the first time in its 40-year history all members of the Federal Reserve Board of Governors and presidents of the Reserve banks, as well as top Treasury officials, faced a Congressional committee to explain and, if necessary, defend their actions.

"The hearings revealed a tendency to blame the Federal Reserve and the Treasury for a 'tight-money' policy in the early months of 1953 which, according to the critics, brought on an unnecessary business recession," commented the bank publication. "The economic situation at the time, it is argued, was exceptionally favorable. Production and employment were high. Prices were generally stable. Why did the monetary authorities insist upon marring the fine picture?

"This line of criticism flies in the face of facts and probabilities," the editorial declared. "It ignores the fact that the economy had passed through 12 years of boom and inflation, along with two wars and a great rearmament program. Such sweeping changes do not occur without creating serious maladjustments that need correction. Debt has risen swiftly to an all-time high. A share of the record-breaking output of which the critics were so enamored was going into inventories.

"The measures taken were far from drastic," comments "The Guaranty Survey." "There was no 'hard money' or deflationary policy in a positive sense. The Federal Reserve did not tighten the market; it merely allowed the market to tighten itself. Its role was essentially passive. All it did was refrain from pouring in new money to finance a boom that showed signs of getting out of hand. In so doing it was acting strictly in accordance with the mandates of the Federal Reserve Act and, indeed, of the Employment Act as well. It was also following the long-established and time-tested principles of central banking.

"Political and popular pressure always is and always has been on the side of cheap money," observed the bank publication. "It is based on the delusion that the unsatisfied wants of the people reflect a shortage of money, and that if more money were available the desired goods and services would be automatically forthcoming. Under the force of this delusion, nation after nation has wrecked its currency in the futile attempt to buy nonexistent goods witn more money. Yet the delusion persists, not only among consumers but even among businessmen, who attribute their failures to the shortage of credit or the lack of proper credit facilities, rather than to the real cause, which is that the supply of capital goods is limited and must go to those who can offer the best prospects of efficient use.

"A present-day form of this old delusion is the belief that a business boom can be kept going indefinitely by creating all the credit that is demanded. It is the thankless task of a central banking system to deny such fallacies, not by words but by practical steps. This is the public service that the Federal Reserve has performed since its liberation four years ago."

First Boston Group Offers Duke Pow. Bds.

The First Boston Corp. and associated underwriters offered for public sale on Jan. 11 $40,000,000 Duke Power Co. new first and refunding mortgage bonds, 3% series due Jan. 1, 1975. The bonds, which were awarded to the group at competitive sale on Jan. 10, were priced at 100.751% and accrued interest to yield approximately 2.95% to maturity.

Of the proceeds from the sale of the bonds and from a concurrent offering of 218,737 shares of additional common stock to stockholders at $40 per share, the company will apply about $36,876,000 to the redemption of its presently outstanding $35,000,000 of 3¾% series bonds due 1983 and use the balance to finance a part of the cost of its construction program which for 1955 is estimated at $34,900,000.

Optional redemption prices for the new bonds range from 103.76% if redeemed during the 12 month period beginning Jan. 1, 1955 to the principal amount if redeemed during the 12 month period beginning Jan. 1, 1974. They are also subject to redemption under a replacement fund at prices scaled from 100.76% to the principal amount.

The company supplies electric energy in the Piedmont section of North and South Carolina, embracing 50 counties in both states. Cities served include Charlotte, Winston - Salem, Durham and Greensboro in North Carolina and Greenville, Spartanburg and Anderson, in South Carolina.

The company reported total utility operating revenues of $110,623,177 and gross income before income deductions of $18,779,116 for the 12 months ended Sept. 30, 1954.

Forms San Jose Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — The San Jose Investment Co., Inc., has been formed with offices at 476 Park Avenue, to engage in the securities business. Officers are Raymond F. Paxton, President, William L. Appleby, Vice-President, and T. C. Paxton, Treasurer.

Joins Reid, Higbie Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Edward J. Haapa is now with Reid, Higbie & Company, Ford Building, members of the Detroit Stock Exchange.

Railroad Securities

Chicago & Eastern Illinois

The list of railroads substituting debt for their outstanding preferred stocks continues to grow and considering the tax savings that can be realized through such an operation it seems likely that the end of the trail is not even yet in sight. Where credit standings permit, and where the preferred issues are callable, the roads will sell the bonds at competitive bidding and call the stock for redemption. This represents a dual saving as the interest rate paid will naturally be less than the dividend rate on the stock and this cut in annual requirements will augment the tax saving. Interest is deductible under present law before Federal income taxes while dividends are not. Where the credit standing of the company makes impractical the public sale of bonds, the operation will be consummated through an exchange offer to the stockholders as was done by Western Pacific and is now being done by Chicago & Eastern Illinois.

The proposal of Chicago & Eastern Illinois was recently approved by the Interstate Commerce Commission and the exchange offer, which is entirely voluntary, has been made to holders of the class A stock. The offer runs to Jan. 21, 1955. The $2 class A stock ($40 par value) will get par-for-par in new 5% Income Debentures maturing in 2054. Interest on these bonds will be payable when, and to the extent earned, which gives holders an important advantage over the present class A stock. While the present dividend is cumulative to the extent earned, it is payable only as, and when, declared by the directors. Also, the Income Debentures will have priority over any class A stock not exchanged and will have a 1% sinking fund beginning in 1986, or earlier if the First 3¾s, now outstanding in the amount of $7,844,000, are retired. Considering the obvious advantages of the offer, it is expected that virtually all of the holders will avail themselves of the exchange opportunity.

It has been estimated that if all of the outstanding 383,412 shares of class A stock are exchanged, the annual savings under present tax laws will work out to approximately $1.00 a share on the 411,229 shares of common stock outstanding. This is a sizable saving in relation to the present earning power of the stock. Earnings on the common in 1953 came to $3.81 a share, after sinking and other reserve funds, and for the most recent 12 months amounted to just under $1.75 a share. Throughout most of last year monthly earnings ran consistently, and fairly sharply, below 1953 levels but with the upturn in business there was a marked reversal of the unfavorable trend in November. In that month, both revenues and net income topped year-earlier levels and the same was probably true in December. Thus, with the aid of a $500,000 dividend from the wholly owned Chicago Heights Terminal Transfer Railroad (the first since 1949) common share earnings probably came to around $3.00 for the full year 1954.

The road's prospects both for the current year and over the longer-term are considered by most analysts to be bright. Coal, and the steel and automobile industries, are important to the road and in all three it is indicated that production this year will be materially higher than last. The relatively newly instituted water-rail movement of coal by U. S. Steel has bolstered the traffic potential appreciably, and the company has also built up a substantial additional coal business for utilities serving the atomic energy installation opposite Joppa. Further expansion in electric generating plants in the service area and further industrialization of the territory as the additional power is available, augur well for the future growth of traffic. Thus, the prospects point strongly to a continued uptrend of the company's earning power.

James R. Imhof With Eastland, Douglass Co.

SAN FRANCISCO, Calif.—Jas. R. Imhof has become associated wth Eastland, Douglass & Co., Inc., 100 Bush Street. Mr. Imhof

James R. Imhof

who has been in the investment business for many years, was formerly with Frank Knowlton & Co.

Phila. Inv. Women 25th Anniversary

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will celebrate the 25th anniversary of the founding of their organization at a dinner to be held at 6:30 p.m. on Monday, Jan. 17 in the Mirage Room of the Barclay Hotel. This will be the annual "Boss Night" dinner when the members invite as their guests the executives of the various brokerage firms.

Miss Lucille Farrell of H. G. Kuch & Co., Chairman of the Entertainment Committee has announced the guest speaker will be Mr. Edward J. Pollock. Mr. Pollock is well known to most Philadelphians as the Sports Editor of the Philadelphia "Evening Bulletin."

Mrs. Helen Schnetke of Raffel & Company, President of the Club has announced that a meeting of the Executive Board will be held on Jan. 10 at 5:15 p.m. in the Board Room of Dolphin & Co., 1902 Fidelity-Philadelphia Trust Building.

C. V. Fites Joins Stifel, Nicolaus Co.

ST. LOUIS, Mo. — C. Vernon Fites, has joined Stifel, Nicolaus & Company, Incorporated, 314 North Broadway, in the Municipal Bond Department.

Mr. Fites, prior to his association with the firm, was connected with the Mercantile Trust Company in St. Louis, in their Bond Department, for the last five years.

Hotels Foresee Better Business in 1955

T. L. Powell, head of American Hotel Association, expects room occupancy to increase with general business improvement. Says keen competition among hotels is now giving public record values. Views of other Association executives also presented.

Room occupancy, key to hotel business, was down about 3% in the United States as 1954 ended, according to T. L. Powell, President of the American Hotel Association, whose 6,000 members account for more than 75% of all hotel rooms in North America and surrounding islands.

T. L. Powell

"Gross National Product—which is the value of all goods and services produced in the United States—in the last days of 1954 was estimated to be nearly 3% less than the final figures for all of 1953. Room occupancy and Gross National Product figures illustrates, asserted Mr. Powell, Vice-President and General Manager of The Plaza, San Antonio, Texas, "how accurately American hotels are a barometer of national business.

"If Gross National Product in 1955 rises between 4 and 5% over that of 1954, as many economists predict, hotel business may be reasonably expected to increase about as much as general business during 1955. Hotels, like general business, experienced a month-to-month decline in the first half of 1954 and a slow steady rise in the final six months. Comparatively hotels in the first half of 1955 may make a better year-to-year showing than in the latter half of the year when comparisons will be against a steadily improved trend.

Speedup of All Transportation Spurs Travel

"A record number of new cars on the road, and the huge highway program about to be launched in 1955, have been anticipated by hotels. They have added or enlarged parking lots, garages, and special entrances for motorists. Speedier buses, planes, and trains, likewise are increasing travel.

"Convention, banquet, and function business is expected to continue the upswing such types registered in the closing months of 1954.

"Foreign visitors, especially from Western Europe and some Latin-American countries, are expected to be more numerous in North America during 1955 than in some years past, a reflection of general business improvement abroad."

Room occupancy for American hotels in the first 11 months of 1954 averaged 73% against 76% in the same 1953 period. For the entire of '53 room occupancy averaged 74% against 76% in 1952. Total sales and income for all of 1953 approximated $2,453,000,000 or 2% over 1952. Room and restaurant sales in 1953 were each up about 2% over 1952 while beverage sales were virtually unchanged. Total income and sales for all of 1954 are not likely to show much change compared with 1953, since room rates averaged 3% higher than a year ago, a reflection of generally rising costs in the final six months.

Net Return in 1953 Only 4.58%

Return on the fair value of hotel property in the United States in 1953 was estimated at 7.16% which contrasted with 7.76% in 1952, 7.66% in 1951, 7.78% in 1950 and 7.14% in 1949. Net return on hotels, which is after income and excess profits taxes, was 4.58% in 1953 against 5.15% in 1952.

"Competition, which always stimulates efficiency and promotes progress, is giving the traveling public today the best values in years," said Charles A. Horrworth, Executive Vice-President of the American Hotel Association, as he was about to take off on a several thousand mile trip. "I have traveled more than 75,000 miles in 1954 . . . in all forms of transportation, and have stopped at all sorts of accomodations, for comparative purposes, in North America and its surrounding islands. Hotels today are offering more conveniences, better and more varied services, at relatively lower prices, than at any time in their history. They are utilizing more new goods, services, methods, and techniques than ever before, a trend, which they assure me, will be accentuated in 1955."

Gifts of Universal Type Credit Cards

Business and pleasure travelers in North America will be using more than 70,000 of the hotel industry's new universal type credit cards before the end of 1955, according to J. S. Walz, President, American Hotel Credit Corporation, Greenwich, Connecticut, which is sponsored by the American Hotel Association. These credit cards are of three types, Travelcards for company and for personal use, for the cashing of checks and charging of hotel bills; and Chekards, which permit individual purchasers to cash up to $300 worth of checks a week.

In December, 1954, for the first time hotel owners and operators presented credit cards as gifts to local businessmen and their acquaintenances, reported Mr. Walz. "The three types of credit cards, which are honored by recognized hotels in Alaska, Bermuda, Canada, Hawaii, Mexico, Puerto Rico and the United States, grant credit in the form of charges for rooms, business functions, food, beverage, entertainment, tickets, check cashing and all other types of services included under individual hotel policy."

Mr. Walz said that credit losses, against which hotels are guaranteed by the system are exceptionally low. "Loss ran slightly less than 1% on gross sales. Credit extended for the first fiscal year for charging hotel bills and the cashing of checks amounted to $123,570,000."

Record Circulation for Hotel Red Book

The "Hotel Red Book," America's oldest travel directory, had a record circulation in 1954 as hotel owners and operators presented about 2,500 more copies than customary to airlines, bus terminals, Chambers of Commerce, public libraries and other public places called on for service by the traveling public, according to Glenwood J. Sherrard, President, American Hotel Association Directory Corporation.

"Our nearly 70-year old publication will have a record use in 1955-56," declared Mr. Sherrard, President, Parker House, Boston, "as AHA members plan to present Red Books to leading banking and business firms as well as to all forms of communications and transportation and many governmental offices not heretofore covered. For the first time in our publication history we are putting out an advertising rate card, and, also for the first time we are giving advertising agencies commissions on advertisements they send us."

Bankers Offer Pa. RR. 2¾% Equipments

Offering of $6,810,000 Pennsylvania RR. 2¾% equipment trust certificates, series CC, to mature annually Feb. 1, 1956 to 1970, inclusive, was made on Jan. 7 by Salomon Bros. & Hutzler and associates, who were awarded the issue on Jan. 6.

The certificates were offered at prices scaled to yield from 1.50% to 2.925%, depending on maturity.

The issue is to be secured by new standard-gauge railroad equipment estimated to cost $9,095,500.

Also participating in the offering are: Drexel & Co.; Union Securities Corp.; and Stroud & Co. Inc.

B. C. Christopher Co. To Be NYSE Member

KANSAS CITY, Mo. — B. C. Christopher & Company, Board of Trade Building, members of the Midwest Stock Exchange, on Jan. 20 will become members of the New York Stock Exchange. Partners are B. C. Christopher, Jr., James K. Christopher, Hearne Christopher, who will hold the Exchange membership, Lewis C. Herwig, John Ronan and John H. Collett.

Frederick Scadding With Baxter, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Frederick C. Scadding, Jr., has become associated with Baxter, Williams & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Scadding who has been in the investment business in Cleveland for many years has recently been with Prescott & Co.

Irma Bender Joins Joseph, Mellen & Miller

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Irma H. Bender has become associated with Joseph, Mellen & Miller, Inc., Union Commerce Building, members of the Midwest Stock Exchange. Miss Bender was formerly Manager of the mutual fund department for Saunders, Stiver & Co. and prior thereto was an officer of T. H. Jones & Company.

Jos. A. Johnson With A. G. Becker & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Joseph A. Johnson, member of the San Francisco Stock Exchange, has become associated with A. G. Becker & Co., Incorporated, 465 California Street, members of the New York Stock Exchange. Mr. Johnson has been a partner in Henry F. Swift & Co. for many years.

Hooker & Fay To Admit Partners

SAN FRANCISCO, Cal.—Ernest Stent and Albert L. Hoogs, of Honolulu, on Feb. 1 will become partners in Hooker & Fay, 221 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

A. E. Masten Co. To Admit A. C. Coney

PITTSBURGH, Pa.—A. E. Masten & Company, First National Bank Building, members of the New York and Pittsburgh Stock Exchanges, will admit Aims C. Coney to partnership on Jan. 20.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The appointment of Edward J. Gresser as a Vice-President of **Manufacturers Trust Company of New York** was announced on Jan. 11 by Horace C. Flanigan, President of the Trust Company. Mr. Gresser began his banking career with the Germania Bank in April, 1906. This institution later changed its name to the Commonwealth Bank and Mr. Gresser came to Manufacturers Trust in July, 1927 through a merger. In July, 1945, Mr. Gresser was appointed Assistant Comptroller. He is a past Chairman of the Bank Management Conference of the New York Clearing House and has been active for many years in the New York City Bank Comptrollers and Auditors Conference.

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The election of Charles D'W. Gibson, Avery Rockefeller and Albert L. Williams as Directors of **Schroder Trust Company, New York** was announced on Jan. 10 by Gerald F. Beal, President.

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Mr. Charles Diehl, President, **Empire City Savings Bank, New York** announces the election of John F. Dooley, formerly Assistant Treasurer, as Assistant Vice-President.

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The Empire City Savings Bank of New York celebrated its 65th anniversary on Jan. 6 with an open house for depositors and the public, Charles Diehl, President of the bank, announced. Refreshments were served during the day at Empire's uptown office, 231 West 125th Street, and the midtown office, 2 Park Avenue. Both offices displayed historical bank records and financial statements as well as historical pictures of New York at the time of the founding of the institution. Empire City Savings Bank first opened its doors on 125th Street between 7th and 8th Avenues, within 100 feet of the present location, and has been serving the savings bank needs of Harlem continuously for 65 years. The midtown office was opened at Lexington Avenue and 34th Street in 1930 and has been at 2 Park Avenue, at 33rd Street, since 1935.

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The Directors of **Royal State Bank of New York, 245 Fifth Ave.,** announced on Jan. 6 they have recommended a 10% stock dividend for the stockholders and also proposed that they be offered the right to purchase one new share of stock for each 10 now held. Henry G. Barber, President and Chairman of the Board, announced that the directors have for some time been considering the advisability of both declaring a stock dividend and increasing the capital funds of the bank by the sale of 20,025 additional shares of its capital stock. He added that the stockholders will hold their annual meeting on Jan. 19, at the new principal offices of the bank, 245 Fifth Ave., to vote upon a proposition to increase the authorized capital stock from $1,001,250, consisting of 200,250 shares of common stock, each having a par value of $5, to $1,201,500, consisting of 240,300 shares of common stock, each having a par value of $5. If the stockholders authorize the proposed increase, Mr. Barber said that it is expected the directors will, at their regular meeting to be held after adjournment of the annual stockholders meeting:

(1) Declare a stock dividend, payable in shares of stock in the bank in an amount equal to $100,125, or one new share for each 10 held of record as of Jan. 26, 1955.

(2) Offer for sale 20,025 new shares of the $5.00 par value capital stock of the bank. The additional shares would be offered at $16.50 per share to all of the stockholders, pro rata, on the basis of one new share for each 10 held of record as of Jan. 26, 1955.

The bank, which recently moved its Principal Offices from 1134 Broadway to 245 Fifth Avenue at 28th St., maintains two branches, the Bronx Office at 326 E. 149th St., and the Belmont Office at 2402 Arthur Ave near East 187th St.

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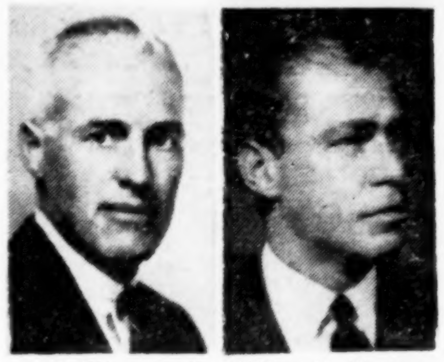
Colonial Trust Company, of New York of which Arthur S. Kleeman is President, announced on Jan. 7 the naming of Livingston Goddard as a Vice-President, with the responsibility of domestic business development. He will continue as Treasurer of Chesapeake Industries, Inc.

S. Sloan Colt, President of **Bankers Trust Company, New York** announced on Jan. 11 the election of two Vice-Presidents



E. J. Dikeman, Jr. William N. Hartman

and the appointment of a deputy manager in the London office.

Edwin J. Dikeman, Jr., formerly Assistant Vice-President, has been elected Vice-President and will continue his assignment in the Wall Street Group of the banking department.

William N. Hartman, previously Assistant Vice-President in the Foreign Division, has been elected Vice-President.

John H. Morris, assigned to the company's London Office, has been named deputy manager. He was formerly Assistant Manager.

Mr. Dikeman began his career with Bankers Trust in 1927. Mr. Hartman began his career with the company in 1936. Promoted to Assistant Treasurer in 1946 and Assistant Vice President in 1948.

Mr. Morris joined the firm in 1925.

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Guaranty Trust Company of New York announces the appointment of Carl V. E. Brandebury as a Vice-President in its banking department. He assumes charge of the territorial division that handles the company's relationships in the southeastern States. Formerly a Second Vice-President associated with the division he now heads, Mr. Brandebury has been with the Guaranty since 1927.

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GRACE NATIONAL BANK OF NEW YORK

	Dec. 31,'54 $	Sept. 30,'54 $
Total resources	150,584,821	132,339,602
Deposits	128,950,463	113,871,309
Cash and due from banks	38,757,657	28,429,683
U. S. Govt. security holdings	47,436,330	45,462,111
Loans & discounts	50,660,844	44,108,508
Undivided profits	1,190,054	1,393,368

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At the annual meeting of the **Hanover Bank of New York** to be held on January 19, stockholders will be asked to authorize an increase in capital from $27 million to $30 million to permit distribution of one-for-nine stock dividend declared in December and payable Feb. 15, 1955 to holders of record Jan. 21, 1955. Stockholders also will be asked to authorize a charter amendment providing for a two-for-one split of the present $20 par stock. Upon authorization, capital stock of the bank will be three million shares, $10 par. In its message to stockholders, the bank observed that discrimination in reserve requirements "continues as between New York, Chicago, and other cities, for which no good reason exists." Discussing its trust division, the bank said:

". . . Most of the bank's executor and trustee appointments are subject to the laws of the State of New York, which likewise regulate compensation. Despite the substantial increase in operating costs, commissions allowed executors have not changed since 1923 and only moderate upward revisions have occurred in trustees' fees. The rate structure should be further revised to compensate for services rendered and the responsibilities assumed."

The annual report released in advance of the annual meeting revealed that subject to stockholder approval, **The Hanover Safe Deposit Company** will be merged into the bank, effective Feb. 1, 1955.

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William W. Kouwenhoven has been elected a Trustee of **The Williamsburgh Savings Bank, Brooklyn, N. Y.** according to an announcement made Jan. 12 by Joseph A. Kaiser, President of the bank. Mr. Kouwenhoven is a partner in the private banking firm of Laidlaw and Company, 25 Broad Street, New York City.

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UNDERWRITERS TRUST CO., N. Y.

	Dec. 31, '54	Oct. 7, '54
Total resources	$45,989,710	$43,690,251
Deposits	43,333,307	40,097,534
Cash and due from banks	10,390,809	8,597,166
U. S. Govt. security holdings	16,595,033	15,940,094
Loans & discounts	18,168,019	17,304,399
Undivided profits	1,329,853	1,311,692

* * *

FEDERATION BANK AND TRUST CO., NEW YORK

	Dec. 31,'54	Dec. 31,'53
Total resources	$93,140,484	$62,003,889
Deposits	86,246,667	53,703,179
Cash and due from banks	19,324,963	13,846,403
U. S. Govt. security holdings	34,631,979	15,408,833
Loans & discounts	28,772,974	23,182,509
Undivided profits	639,566	878,174

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THE CORPORATION TRUST CO., N. Y.

	Dec. 31, '54	Oct. 7, '54
Total resources	$2,572,463	$2,562,032
Deposits	235,157	239,803
Cash and due from banks	1,100,447	1,097,029
U. S. Govt. security holdings	431,352	431,358
Undivided profits	224,317	382,078

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Mr. John D. Cosgrove, President of the **First National Bank of Glen Cove, New York** and Mr. Arthur T. Roth, President of the **Franklin National Bank, Franklin Square, New York**, announced Jan. 7 that their Boards of Directors have unanimously approved of the consolidation of their banks under the name and charter of the Franklin National Bank.

Letters were mailed Jan. 7, signed by Mr. Cosgrove, to the shareholders of the First National Bank of Glen Cove announcing the proposed consolidation which is subject to the approval of the shareholders of both institutions and the Office of the Comptroller of the Currency.

Application for consolidation will be made to the Comptroller of the Currency about Feb. 1, 1955 and it is expected that the consolidation will become effective during March, 1955.

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The election of Charles L. Hulswit, President of Rockland Light & Power Co., Nyack, N. Y., as a director of **The First National Bank of Spring Valley, N. Y.,** was announced on Jan. 11 by Charles W. Hawkins, President, at the bank's annual meeting of shareholders.

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Mr. Edward L. Clifford, President, announced seven promotions at the **Worcester County Trust Company, Worcester, Mass.** Advanced from Assistant Vice-Presidents are Robert G. Cowan and Harry C. Midgley, Jr.; from Assistant Treasurer to Assistant Vice-President is James C. Gray; from Assistant Treasurers and Trust Officers to Assistant Vice Presidents and Trust Officers are William A. Wheeler and George C. Whitney, II, and newly elected Assistant Treasurers are Charles B. Barlow and Theodore K. Keith.

Mr. Robert G. Cowan joined the Bank in 1911, was made an Assistant Treasurer in 1942 and Assistant Vice-President in 1949. Mr. Harry C. Midgley, Jr. joined the Bank in 1945, was elected Assistant Treasurer in 1950 and Assistant Vice-President in 1953. Mr. James C. Gray was elected Assistant Treasurer Jan. 1, 1954 and is in charge of the Time Sales Finance Department. Mr. William A. Wheeler was elected Assistant Treasurer and Assistant Trust Officer in 1941 and Assistant Treasurer and Trust Officer in 1949. Mr. George C. Whitney, II, has been with the bank since 1942 and was made an Assistant Treasurer and Trust Officer in 1949.

Mr. Charles B. Barlow joined the Bank in 1952. He is assistant in the Investment Department. Mr. Theodore K. Keith is presently in charge of the Machine Records Department and in the operation of the new electronic CheckMaster check.

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The capital of the **Somerville National Bank of Somerville, Mass.** has been enlarged from $450,000 to $500,000 by a stock dividend of $50,000 effective Nov. 29.

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Edward L. Clifford, President of the **Worcester County Trust Company of Worcester, Mass.** announced at the annual stockholders' meeting on Jan. 11, that Philip C. Beals, Treasurer of The Vellumoid Company in Worcester, and Frederic W. Howe, Jr., President of Crompton & Knowles Loom Works, also in Worcester, were elected directors.

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Following the annual meeting of the stockholders of the bank on Jan. 11, Kingsbury S. Nickerson, President of **The First National Bank of Jersey City, N. J.,** announced the Clayton S. Cronkright, Industrial Representative of the Public Service Electric & Gas Co., had been elected a director of the bank.

Stockholders confirmed the action of the board of directors by approving the 2% stock dividend voted by the board in November. More than 90% of the stock was voted in favor of the stock dividend. President, Nickerson, said the board would consider similar declarations in the future, conditioned by the earnings of the bank. This stock dividend, the first of its kind in the history of the bank, will be paid on Jan. 25 to stockholders of record on Jan.

11. It is in addition to the regular quarterly cash dividend of 50c per share.

* * *

RHODE ISLAND HOSPITAL TRUST CO., PROVIDENCE, R. I.

	Dec. 31,'54 $	Dec. 31,'53 $
Total resources	299,345,314	293,967,172
Deposits	266,237,431	263,874,497
Cash and due from banks	51,873,460	54,811,656
U. S. Govt. security holdings	107,558,597	111,072,454
Loans & discounts	119,915,819	107,912,105
Undivided profits	4,843,577	4,610,485

* * *

James M. Large, President of **Tradesmen's Land Title Bank and Trust Company of Philadelphia** announced on Dec. 27 eight promotions. Sterling M. Chain and Thomas P. Stovell were appointed Assistant Vice-Presidents, Albert J. Bauhaus and W. Patton Kinsey, Assistant Treasurers, William R. Menseck and Edwin C. Schenkel, Assistant Secretaries, Gerald K. Zeller, Assistant Comptroller and T. Lawrence Viguers, Auditor.

* * *

The First National Bank in Finleyville, Pa. with common capital stock of $100,000 was placed in voluntary liquidation effective Nov. 10, having been absorbed by the **First National Bank of McKeesport, Pa.**

* * *

FIDELITY-PHILADELPHIA TRUST CO. PHILADELPHIA, PA.

	Dec. 31,'54 $	June 30,'54 $
Total resources	376,739,384	345,228,645
Deposits	340,697,613	309,977,741
Cash and due from banks	83,314,733	59,398,285
U. S. Govt. security holdings	73,916,828	90,973,534
Loans & discounts	160,337,685	141,320,714
Undivided profits	5,890,965	5,737,516

* * *

Two new directors have been elected to the Board of **The First National Bank of Philadelphia, Pa.** They are Winthrop Sargent, a director of National Lead Company and an industrial consultant for many years, and Paul R. Kaiser, President of the Tasty Baking Company of Philadelphia. The new directors increase the board to 19 members at First National, the first bank in the country (in 1863) to receive a National charter.

* * *

CENTRAL NATIONAL BANK OF CLEVELAND, OHIO

	Dec. 31,'54 $	Dec. 31,'53 $
Total resources	509,269,678	521,869,991
Deposits	473,812,601	489,148,070
Cash and due from banks	110,353,643	125,961,849
U. S. Govt. security holdings	191,374,743	196,553,705
Loans & discounts	191,075,691	187,552,798
Undivided profits	2,600,922	1,737,995

* * *

THE FIFTH THIRD UNION TRUST CO., CINCINNATI, OHIO

	Dec. 31,'54 $	June 30,'54 $
Total resources	324,940,573	302,693,582
Deposits	298,367,149	276,727,930
Cash and due from banks	74,041,349	76,969,076
U. S. Govt. security holdings	126,297,050	107,019,230
Loans & discounts	100,8[illegible]1,876	96,537,691
Undivided profits	2,740,062	1,976,834

* * *

Seymour H. Hoff, Executive Vice-President and a Director of **The Ohio Citizens Trust Company of Toledo, Ohio,** died Dec. 25, 1954 in Toledo Hospital. Mr. Hoff began his banking career 55 years ago as a messenger for the **Ohio Savings Bank & Trust Company,** advancing to head paying teller and subsequently to Assistant Treasurer, Treasurer, Secretary, Vice-President and a Director. Active in the organization of **The Ohio Citizens Trust Company** in 1932, he became its first Treasurer. He was named Executive Vice-President on Jan. 6, 1940 and elected a Director of the bank in 1943. Mr. Hoff had directed the bank's investment and loan activities. On Dec. 23, 1949, his co-workers presented Mr. Hoff with gold cuff links commemorating his 50 years service as a banker. On behalf of the bank officers and directors, Willard I. Webb, Jr., President, gave Mr. Hoff an engraved watch.

Lewis Miller, Vice-President has retired from **The First National Bank of Chicago** as of Dec. 31.

* * *

CENTRAL NATIONAL BANK OF CLEVELAND, OHIO

	Dec. 31,'54 $	June 30,'54 $
Total resources	509,269,678	491,705,728
Deposits	473,812,601	455,936,218
Cash and due from banks	110,353,643	112,952,509
U. S. Govt. security holdings	191,374,743	196,044,335
Loans & discounts	161,754,742	158,448,430
Undivided profits	2,600,921	2,286,708

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	Dec. 31,'54 $	June 30,'54 $
Total resources	369,716,170	355,102,012
Deposits	340,572,068	325,737,450
Cash and due from banks	27,228,389	28,744,115
U. S. Govt. security holdings	120,985,057	104,955,290
Loans & discounts	188,512,179	190,337,010

* * *

The Federal Reserve Bank of Minneapolis on Dec. 20 announced the election of three new officers effective Jan. 1. They are Carl E. Bergquist, Assistant Cashier, Dr. Oscar F. Litterer, Business Economist, and Roger J. Grobal, Chief Examiner. Mr. Bergquist joined the bank's staff in 1941 and for the last six years has been in the Public Services Department as Supervisor and as Assistant to the Vice-President in Charge. He has had charge of the bank's Short Course in Central Banking. Prior to 1941 he spent several years in the sales finance field. Both Mr. Grobel and Dr. Litterer have held their titles previously but without official status. Dr. Litterer joined the bank's Research Department in 1944 as Statistician. Before going with the bank he was a Research Economist for the Committee for Economic Development, and an instructor and Director of Business Research at the University of Nebraska. He also taught in high schools at Aitkin and Excelsior, Minn. Mr. Grobel joined the bank's staff in 1933 after considerable experience in the commercial banking and office management fields. He joined the bank's Examination Department in 1937 and was named Chief Examiner, without official title, in 1952.

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CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO. OF CHICAGO ILL.

	Dec. 31,'54 $	June 30,'54 $
Total resources	2,729,643,148	2,641,169,186
Deposits	2,476,975,255	2,396,538,400
Cash and due from banks	622,158,650	724,980,055
U. S. Govt. security hold'gs	1,247,587,765	1,097,640,015
Loans & discts.	688,374,763	647,441,754
Undivid. profits	17,060,309	35,856,013

* * *

The American National Bank & Trust Company of Kalamazoo, Mich. has enlarged its capital to the extent of $500,000 of which $250,000 was realized by the sale of new stock, and $250,000 by a stock dividend — the capital thereby having been raised from $750,000 to $1,250,000, the increased amount having become effective November 18.

* * *

THE DETROIT BANK, DETROIT, MICH.

	Dec. 31,'54 $	Dec. 31,'53 $
Total resources	779,777,164	756,163,458
Deposits	735,431,363	717,139,224
Cash and due from banks	143,683,408	135,718,762
U. S. Govt. security holdings	338,741,884	317,402,417
Loans & discounts	104,869,455	115,267,776
Undivided profits	7,497,279	7,110,229

* * *

Milton A. Bueltermann has been elected Assistant Vice-President of **First National Bank in St. Louis** it was announced on January 3 by William A. McDonnell, President of the bank. Mr. Bueltermann, who until recently was an Assistant Vice-President of **Mercantile Trust Company in St. Louis,** took over his new position in the general operations of First National beginning Jan. 3. A native St. Louisan, Mr. Bueltermann, joined the former **Mercantile Commerce Bank & Trust Co.** in St. Louis in 1929 and was elected Assistant Vice-President of that bank in 1946.

* * *

Two officers and six employees, with a total of 304 years' banking experience, retired from **First National Bank in St. Louis,** effective Dec. 31, it was announced on Jan. 2 by President William A. McDonnell. These staff members, all of whom are members of the banks pension plan, are: William A. Gordon, Vice-President, with 34 years of service; William C. Stauss, Assistant Cashier, 50 years; Genevieve F. McAuliffe, 50 years; Al Bantle, 46 years; Richard Oberjuerge, 43 years; Joseph Rowles, 37 years; Harry Redding, 33 years; and Theresa Chewning, 11 years. William A. Gordon, who has been a Vice-President and Loan Officer since 1929, began his banking career in 1921 with the old Liberty Central Trust Company. Mr. Stauss, Assistant Cashier, started as a office boy with the Third National Bank, 50 years ago. He later became Manager of the Transit Department. In 1919, he joined the Personnel Department of the newly formed First National Bank and has served in that capacity ever since. Genevieve F. McAuliffe, head telephone operator, also spent 50 years in the banking field. She was with **Mechanics American National Bank** prior to the 1919 merger. Mr. Redding spent 33 years as a banker, and was in the Special Service Department. Theresa Chewning spent 11 years with the bank, and was in the Discount Department. Al Bantle started as an office boy to Walker Hill, former President of the old Mechanics American National Bank. In 1919, he joined First National and was in the Securities Custodian Department. Mr. Rowles began his banking career in 1918, and was in the Currency Department of First National Bank. Mr. Richard Oberjuerge started 43 years ago with the old Mechanics American National Bank. In 1919, he joined First National and was in the Collateral Department.

* * *

Frank L. King, President of **California Bank of Los Angeles, Cal.** and Raymond E. Smith, President of **The First National Bank of Pomona, Cal.** announce that an agreement has been reached whereby the three offices of The First National Bank of Pomona will be merged with and operated as offices of California. Bank. California Bank, at the close of 1954, had total resources of more than $680,000,000, and in point of deposits it said to be the 32nd largest bank in the United States. Resources of The First National Bank of Pomona totaled more than $32,000,000 on Dec. 31, 1954, with deposits of more than $30,000,000. Mr. Smith will be named a Vice-President and member of the board of the merged bank and present directors of The First National Bank will serve as an Advisory Committee. All other officers and staff members of the bank will continue in their respective positions. It is expected, subject to the approval of shareholders of the banks, that actual transfer of the business will take place about March 1 or as soon thereafter as the necessary formalities have been concluded. **Mr. King also announced that an agreement had been reached with the Oilfields National Bank of Brea, Calif., whereby the Brea bank will be acquired and operated as a branch office of California Bank. Total resources of the Oilfields National Bank were approximately $4,450,000 on Dec. 31, 1954, with deposits in excess of $4,250,000. Actual transfer of the business will take place as soon as necessary technical formalities have been concluded.** At the same time, Mr. King announced that permission had been received from The State Superintendent of Banks to establish a branch office of the bank in Anaheim, Calif.

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FIRST NATIONAL BANK OF SALT LAKE CITY, UTAH

	Dec. 31,'54 $	Oct. 7,'54 $
Total resources	119,106,028	115,691,024
Deposits	114,556,118	111,132,425
Cash and due from banks	31,557,411	26,143,768
U. S. Govt. security holdings	64,631,734	65,854,688
Loans & discounts	15,847,053	15,443,749
Undiv. profits and reserves	2,299,911	2,308,599

* * *

We learn that it is expected that a resolution will be presented to the stockholders of the **Idaho First National Bank of Boise, Idaho** at their annual meeting on Jan. 18 which would authorize an increase in the bank's stock from $3,500,000 to $4,200,000 by a dividend payable in common stock in the amount of $700,000. The funds for this increase will come from the bank's undivided profits account.

President's Message on Foreign Trade

In special message to Congress, Mr. Eisenhower calls for tariff reductions and a three-year extension of Reciprocal Trade pacts. Urges tax changes to aid investment abroad, and approves technical cooperation programs. Points out agriculture's stake in an expanding world trade.

President Dwight D. Eisenhower on Jan. 10, delivered a special message to Congress outlining his program and proposals relating to the the nation's foreign trade. In the message he reviewed his plea for a more liberal tariff policy policy and a three year extension of the reciprocal trade pacts, along with a grant of authority to reduce by 50% any tariff charge in the present acts.

Pres. Eisenhower

The text of the President's special message follows:

To the Congress of the United States:

For the consideration of the Congress, I submit my recommendations for further developing the foreign economic policy of the United States. Although largely based upon my special message to the Congress of March 30, 1954, these proposals are the product of fresh review.

The nation's enlightened self-interest and sense of responsibility as a leader among the free nations require a foreign economic program that will stimulate economic growth in the free world through enlarging opportunities for the fuller operation of the forces of free enterprise and competitive markets.

Our own self-interest requires such a program because (1) economic strength among our allies is essential to our security; (2) economic growth in underdeveloped areas is necessary to lessen international instability growing out of the vulnerability of such areas to Communist penetration and subversion; and (3) an increasing volume of world production and trade will help assure our own economic growth and a rising standard of living among our own people.

In the world-wide struggle between the forces of freedom and those of communism, we have wisely recognized that the security of each nation in the free world is dependent upon the security of all other nations in the free world. The measure of that security in turn is dependent upon the economic strength of all free nations, for without economic strength they cannot support the military establishments that are necessary to deter Communist armed aggression. Economic strength is indispensable, as well, in securing themselves against internal Communist subversion.

Source of Economic Strength

For every country in the free world, economic strength is dependent upon high levels of economic activity internally and high levels of international trade. No nation can be economically self-sufficient. Nations must buy from other nations, and in order to pay for what they buy they must sell.

It is essential for the security of the United States and the rest of the free world that the United States take the leadership in promoting the achievement of those high levels of trade that will bring to all the economic strength upon which the freedom and security of all depends.

Those high levels of trade can be promoted by the specific measures with respect to trade barriers recommended in this message, by the greater flow of capital among nations of the free world, by convertibility of currencies, by an expanded interchange of technical counsel, and by an increase of international travel.

From the military standpoint, our national strength has been augmented by the over-all military alliance of the nations constituting the free world. This free world alliance will be most firmly cemented when its association is based on flourishing mutual trade as well as common ideals, interests and aspirations. Mutually advantageous trade relationships are not only profitable, but they are also more binding and more enduring than costly grants and other forms of aid.

Artificial Trade Barriers

Today numerous uneconomic, man-made barriers to mutually advantageous trade and the flow of investment are preventing the nations of the free world from achieving their full economic potential. International trade and investment are not making their full contribution to production, employment and income. Over a large area of the world currencies are not yet convertible.

We and our friends abroad must together undertake the lowering of the unjustifiable barriers to trade and investment, and we must do it on a mutual basis so that the benefits may be shared by all.

Such action will add strength to our own domestic economy and help assure a rising standard of living among our people by opening new markets for our farms and factories and mines.

The program that I am here recommending is moderate, gradual and reciprocal. Radical or sudden tariff reductions would not be to the interest of the United States and would not accomplish the goal we seek. A moderate program, however, can add immeasurably to the security and well-being of the United States and the rest of the free world.

Trade Agreement Authority

I request a three-year extension of Presidential authority to negotiate tariff reductions with other nations on a gradual, selective and reciprocal basis. This authority would permit negotiations for reductions in those barriers that now limit the markets for our goods throughout the world. I shall ask all nations with whom we trade to take similar steps in their relations with each other.

The three-year extension of the trade agreements act should authorize, subject to the present peril and escape clause provisions:

(1) Reductions, through multilateral and reciprocal negotiations, of tariff rates on selected commodities by not more than 5% per year for three years;

(2) Reductions, through multilateral and reciprocal negotiations, of any tariff rates in excess of 50% to that level over a three-year period; and

(3) Reduction, by not more than one-half over a three-year period, of tariff rates in effect on Jan. 1, 1945, on articles which are not now being imported or which are being imported only in negligible quantities.

The General Agreement On Tariffs and Trade

For approximately seven years the United States has co-operated with all the major trading nations of the free world in an effort to reduce trade barriers. The instrument of co-operation is the General Agreement on Tariffs and Trade. Through this agreement the United States has sought to carry out the provisions and purpose of the trade agreements act.

The United States and 33 other trading countries are now reviewing the provisions of the agreement for the purpose of making it a simpler and more effective instrument for the development of a sound system of world trade. When the current negotiations on the revision of the organizational provisions of the general agreement are satisfactorily completed, the results will be submitted to the Congress for its approval.

Customs Administration and Procedure

Considerable progress has been made in freeing imports from unnecessary customs administrative burdens. Still more, however, needs to be done in the three areas I mentioned in my message last year: (1) The simplification of commodity definitions, classification and rate structures; (2) improvement in standards for the valuation of imports, and (3) further improvement of procedures for customs administration.

An important step toward simplification of the tariff structure was taken by the Congress last year with the passage of the customs simplification act which directs the Tariff Commission to study the difficuluties of commodity classification of imports. The interim report of the Tariff Commission to be made by next March 15 should help enable the Congress to determine whether further legislative steps should then be taken or should await submission of the final report.

The uncertainties and confusion arising from the complex system of valuation on imported articles caused unwarranted delays in the determination of custom duties. I urge the Congress to give favorable consideration to legislation for remedying this situation.

The improvement of customs administration requires continuous effort, as the Congress recognized by enacting the customs simplification acts of 1953 and 1954. The Treasury Department in its annual customs report to the Congress will review the remaining reasons for delay or difficulty in processing imported articles through customs and will propose still further technical amendments to simplify customs procedures.

U. S. Investment Abroad

The whole free world needs capital; America is its largest source. In that light, the flow of capital abroad from our country must be stimulated and in such a manner that it results in investment largely by individuals or private enterprises rather than by government.

An increased flow of United States private investment funds abroad, especially to the underdeveloped areas, could contribute much to the expansion of two-way international trade. The underdeveloped countries would thus be enabled more easily to acquire the capital equipment so badly needed by them to achieve sound economic growth and higher living standards. This would do much to offset the false but alluring promises of the Communists.

To facilitate the investment of capital abroad I recommend enactment of legislation providing for taxation of business income from foreign subsidiaries or branches at a rate 14 percentage points lower than the corporate rate on domestic income, and a deferral of tax on income of foreign branches until it is removed from the country where it is earned.

I propose also to explore the further use of tax treaties with the possible recognition of tax concessions made to foreign capital by other countries. Under proper safeguards, credit could be given for foreign income taxes which are waived for an initial limited period, as we now grant credit for taxes which are imposed. This would give maximum effectiveness to foreign tax laws designed to encourage new enterprises.

As a further step to stimulate investment abroad, I recommend approval by the Congress at the appropriate time of membership in the proposed International Finance Corporation, which will be affiliated with the International Bank for Reconstruction and Development. This corporation will be designed to increase private investment in less developed countries by making loans without government guaranties. Although the corporation will not purchase stock, it will provide venture capital through investing in debentures and similar obligations. Its operations will cover a field not dealt with by an existing institution.

The Executive Branch will continue through our diplomatic representatives abroad to encourage a climate favorable to the private enterprise concept in investment.

We shall continue to seek other new ways to enlarge the outward flow of capital.

It must be recognized, however, that when American private capital moves abroad it properly expects to bring home its fair reward. This can only be accomplished in the last analysis by our willingness to purchase more goods and services from abroad in order to provide the dollars for these growing remittances. This fact is a further compelling reason for a fair and forward-looking trade policy on our part.

Technical Cooperation

The United States has a vast store of practical and scientific know-how that is needed in the underdeveloped areas of the world. The United States has a responsibility to make it available. Its flow for peaceful purposes must remain unfettered.

United States participation in technical cooperation programs should be carried forward. These programs should be concerned with know-how rather than large funds. In my budget message next week, I shall recommend that the Congress make available the funds required to support the multilateral technical cooperation programs of the United Nations. The bilateral programs of the United States should be pressed vigorously.

International Travel

The United States remains committed to the objective of freedom of travel throughout the world. Encouragement given to travel abroad is extremely important both for its cultural and social importance in the free world, and for its economic benefits. Travel abroad by Americans provides an important source of dollars for many countries.

The Executive Branch shall continue to look for ways of facilitating international travel and shall continue to cooperate with private travel agencies.

One legislative action that would be beneficial in this field is the increase of the present duty-free allowances for tourists from $500 to $1,000 exercisable every six months. I recommend the passage of such legislation.

Trade Fairs

International trade fairs have been of major importance to foreign countries for many years, and most of the trading nations have strengthened the promotional aspects of their industrial displays in many fairs with a central exhibit designed to emphasize the industrial progress and achievement of the nation.

Soviet and satellite exhibits, for example, have been costly, well planned and housed in expensive structures designed to convey the impression that the U. S. S. R. is producing on a large scale for peace and is creating a paradise for workers.

The United States, which has a larger volume of international trade than any other nation, until recently has been conspicuous by its absence at these trade fairs. American visitors and participants have pointed out the failure of their government to tell adequately the story of our free enterprise system and to provide effective international trade promotion cooperation.

As a result, I have undertaken an international trade fair program under the direction of the Department of Commerce. Since the inauguration of this program in August, participation has been authorized in 11 fairs to be held before June 30. Sixteen additional fairs are being considered for exhibition purposes in the latter part of the year. The first fair in which the United States presented a central exhibit is that at Bangkok, which opened Dec. 7, 1954. At it our exhibit was awarded first prize. Over 100 American companies supplied items for inclusion in it.

I shall ask the Congress for funds to continue this program.

Convertibility

Convertibility of currencies is required for the development of a steadily rising volume of world trade and investment. The achievement of convertibility has not been possible in the postwar period due to dislocations caused by the war, inflation and other domestic economic difficulties in many countries, which have contributed to an imbalance in international trade and payments. However, steady progress, particularly by Western European countries, is being made toward our mutual objective of restoring currency convertibility. The foreign economic program proposed here will make an important contribution to the achievement of convertibility.

Agriculture

No single group within America has a greater stake in a healthy and expanding foreign trade than the farmers. One-fourth to one-third of some major crops, such as wheat, cotton and tobacco, must find markets abroad in order to maintain farm income at high levels.

If they are to be successful, programs designed to promote the prosperity of agriculture should be consistent with our foreign economic program. We must take due account of the effect of any agricultural program on our foreign economic relations to assure that it contributes to the development of healthy, expanding foreign markets over the years.

Conclusion

The series of recommendations I have just made are all components of an integrated program, pointing in a single direction. Each contributes to the whole. Each advances our national security by bringing added strength and self-sufficiency to our allies. Each contributes to our economic growth and a rising standard of living among our people.

DWIGHT D. EISENHOWER

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

WILSON, N. C.—Lee Johnson is now associated with Merrill Lynch, Pierce, Fenner & Beane, 113 East Nash Street.

With Goffe & Carkener

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Floyd J. Hall has become affiliated with Goffe & Carkener, Inc., Board of Trade Building, members of the Midwest Stock Exchange.

Eisenhower's State of the Union Message

Appearing before the Joint Session of Congress, President covers a wide field of problems and conditions confronting the nation, chief among which are the Foreign Aid Program; the extension of the Selective Service Act; the build-up of a civilian military reserve; the reduction of tariff barriers and the extension of the Reciprocal Trade Acts; raising and broadening the coverage of the minimum wage, and the amendment of the Taft-Hartley Act along with the McCarran Immigration Law. Proposes constitutional amendment lowering voting age to eighteen.

On Jan. 6th, President Dwight D. Eisenhower appeared personally before a joint session of the Senate and the House of Representatives and delivered his first message on the State of the Union to the 84th Congress. In his message the President covered the broad field of the problems and conditions confronting the nation and revealed proposals and recommendations for a legislative program to be enacted by Congress.


Pres. Eisenhower

The text of the President's message follows:

Mr. President, Mr. Speaker, members of Congress:

First, I extend cordial greetings to the 84th Congress. We shall have much to do together; I am sure that we shall get it done—and, that we shall do it in harmony and good will.

At the outset, I believe it would be well to remind ourselves of this great fundamental in our national life: our common belief that every human being is divinely endowed with dignity and worth and inalienable rights. This faith, with its corollary—that to grow and flourish people must be free—shapes the interests and aspiration of every American.

From this deep faith have evolved three main purposes of our Federal government:

First, to maintain justice and freedom among ourselves and, to champion them for others so that we may work effectively for enduring peace;

Second, to help keep our economy vigorous and expanding, thus sustaining our international strength and assuring better jobs, better living, better opportunities for every citizen;

And third, to concern ourselves with the human problems of our people so that every American may have the opportunity to lead a healthy, productive and rewarding life.

Purpose to Support Freedom, Justice and Peace

Foremost among these broad purposes of government is our support of freedom, justice and peace.

It is of the utmost importance that each of us understand the true nature of the struggle now taking place in the world.

It is not a struggle merely of economic theories, or of forms of government, or of military power. At issue is the true nature of man. Either man is the creature whom the psalmist described as "a little lower than the angels," crowned with glory and honor, holding "dominion over the works" of his Creator; or man is a soulless, animated machine to be enslaved, used and consumed by the state for its own glorification.

It is, therefore, a struggle which goes to the roots of the human spirit, and its shadow falls across the long sweep of man's destiny. This prize, so precious, so fraught with ultimate meaning, is the true object of the contending forces in the world.

In the past year there has been progress justifying hope, both for continuing peace and for the ultimate rule of freedom and justice in the world. Free nations are collectively stronger than at any time in recent years.

Just as nations of this hemisphere, in the historic Caracas and Rio Conferences, have closed ranks against imperialistic communism and strengthened their economic ties, so free nations elsewhere have forged new bonds of unity.

Recent agreements between Turkey and Pakistan have laid a foundation for increased strength in the Middle East. With our understanding support, Egypt and Britain, Yugoslavia and Italy, Britain and Iran have resolved dangerous differences. The security of the Mediterranean has been enhanced by an alliance among Greece, Turkey and Yugoslavia. Agreements in Western Europe have paved the way for unity to replace past divisions which have undermined Europe's economic and military vitality. The defense of the West appears likely at last to include a free, democratic Germany participating as an equal in the councils of NATO.

In Asia and the Pacific, the pending Manila pact supplements our treaties with Australia, New Zealand, the Philippines, Korea and Japan and our prospective treaty with the Republic of China. These pacts stand as solemn warning that future military aggression and subversion against the free nations of Asia will meet united response. The Pacific Charter, also adopted at Manila, is a milestone in the development of human freedom and self-government in the Pacific area.

Under the auspices of the United Nations, there is promise of progress in our country's plan for the peaceful use of atomic energy.

Finally, today the world is at peace. It is, to be sure, an insecure peace. Yet all humanity finds hope in the simple fact that for an appreciable time there has been no active major battlefield on earth. This same fact inspires us to work all the more effectively with other nations for the well-being, the freedom, the dignity, of every human on earth.

These developments are heartening indeed, and we are hopeful of continuing progress. But sobering problems remain.

Warns of Up-build of Russia's Military Might

The massive military machines and ambitions of the Soviet-Communists bloc still create uneasiness in the world. All of us are aware of the continuing reliance of the Soviet Communists on military force, of the power of their weapons, of their present resistance to realistic armament limitation, and of their continuing effort to dominate or intimidate free nations on their periphery. Their steadily growing power includes an increasing strength in nuclear weapons. This power, combined with the proclaimed intentions of the Communist leaders to communize the world, is the threat confronting us today.

To protect our nations and our peoples from the catastrophe of a nuclear holocaust, free nations must maintain countervailing military power to persuade the Communists of the futility of seeking their ends through aggression. If Communist rulers understand that America's response to aggression will be swift and decisive—that never shall we buy peace at the expense of honor or faith—they will be powerfully deterred from launching a military venture engulfing their own peoples and many others in disaster. This, of course, is merely world stalemate. But in this stalemate each of us may and must exercise his high duty to strive in every honorable way for enduring peace.

The military threat is but one menace to our freedom and security. We must not only deter aggression; we must also frustrate the effort of Communists to gain their goals by subversion. To this end, free nations must maintain and reinforce their cohesion, their internal security, their political and economic vitality, and their faith in freedom.

America's Objections in World Stalemate

In such a world, America's course is clear:

We must tirelessly labor to make the peace more just and durable.

We must strengthen the collective defense under the United Nations Charter and gird ourselves with sufficient military strength and productive capacity to discourage resort to war and protect our nation's vital interests.

We must continue to support and strengthen the United Nations. At this very moment, by vote of the United Nations General Assembly, its Secretary-General is in Communist China on a mission of deepest concern to all Americans; seeking the release of our never-to-be-forgotten American aviators and all other United Nations prisoners wrongfully detained by the Communist regime.

We must also encourage the efforts being made in the United Nations to limit armaments and to harness the atom to peaceful use.

We must expand international trade and investment and assist friendly nations whose own best efforts are still insufficient to provide the strength essential to the security of the free world.

We must be willing to use the processes of negotiation whenever they will advance the cause of just and secure peace to which the United States and other free nations are dedicated.

In respect to all these matters, we must, through a vigorous information program, keep the peoples of the world truthfully advised of our actions and purposes. This problem has been attacked with new vigor during the past months. I urge that the Congress give its earnest consideration to the great advantages that can accrue to our country through the successful operations of this program.

We must also carry forward our educational exchange program. This sharing of knowledge and experience between our citizens and those of free countries is a powerful factor in the development and maintenance of true partnership among free peoples.

To advance these many efforts, the Congress must act in this session on appropriations, legislation and treaties. Today I shall mention especially our foreign economic and military programs.

The recent economic progress in many free nations has been most heartening. The productivity of labor and the production of goods and services are increasing in ever-widening areas. There is a growing will to improve the living standards of all men. This progress is important to all our people. It promises us allies who are strong and selfreliant; it promises a growing world market for the products of our mines, our factories and our farms.

But only through steady effort can we hope to continue this progress. Barriers still impede trade and the flow of capital needed to develop each nation's human and material resources. Wise reduction of these barriers is a long-term objective of our foreign economic policy—a policy of an evolutionary and selective nature, assuring broad benefits to our own and other peoples.

We must gradually reduce certain tariff obstacles to trade. These actions should, of course, be accompanied by a similar lowering of trade barriers by other nations, so that we may move steadily toward greater economic advantage for all. We must further simplify customs administration and procedures. We must facilitate the flow of capital and continue technical assistance, both directly and through the United Nations, to less-developed countries to strengthen their independence and raise their living standards. Many another step must be taken in and among the nations of the free world to release forces of private initiative. In our own nation, these forces have brought strength and prosperity; once released, they will generate rising incomes in

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these other countries with which to buy the products of American industry, labor and agriculture.

On Jan. 10, by special message, I shall submit specific recommendations for carrying forward the legislative phases of our foreign economic policy.

The Military Program

Our many efforts to build a better world include the maintenance of our military strength. This is a vast undertaking. Major national security programs consume two-thirds of the entire Federal budget. Over four million Americans—service men and civilians—are on the rolls of the defense establishment. During the past two years, by eliminating duplication and overstaffing, by improved procurement and inventory controls, and by concentrating on the essentials, many billions of dollars have been saved in our defense activities. I should like to mention certain fundamentals underlying this vast program.

First, a realistic limitation of armaments and enduring, just peace remain our national goals; we maintain powerful military forces because there is no present alternative—forces designed for deterrent and defensive purposes alone but able instantly to strike back with destructive power in response to an attack.

Second, we must stay alert to the fact that undue reliance on one weapon or preparation for only one kind of warfare simply invites an enemy to resort to another. We must, therefore, keep in our armed forces balance and flexibility adequate for our purposes and objectives.

Third, to keep our armed forces abreast of the advances of science, our military planning must be flexible enough to utilize the new weapons and techniques which flow ever more speedily from our research and development programs. The forthcoming military budget, therefore, emphasizes modern airpower in the Air Force, Navy and Marine Corps and increases the emphasis on new weapons, especially those of rapid and destructive striking power. It seeks continuous modernization of the Army. It assures tahe maintenance of effective, retaliatory force as the principal deterrent to overt aggression. It accelerates the continental defense program and the build-up of ready military reserve forces .It continues a vigorous program of stockpiling strategic and critical materials and strengthening our mobilization base. The budget also contemplates the strategic concentration of our strength through redevelopment of certain forces. It provides for reduction of forces in certain categories and their expansion in others, to fit them to the military realities of our time. These emphases in our defense planning have been made at my personal direction after long and thoughtful study. In my judgment, they will give our nation a defense accurately adjusted to the national need.

Fourth, pending a world agreement on armament limitations, we must continue to improve and expand our supplies of nuclear weapons for our land, naval and air forces while, at the same time, continuing our encouraging progress in the peaceful use of atomic power.

And **fifth**, in the administration of these costly programs, we must demand the utmost in efficiency and ingenuity. We must assure our people not only of adequate protection but also of a defense that can be carried forward from year to year until the threat of aggression has disappeared.

To help maintain this kind of armed strength and improve its efficiency, I must urge the enactment of several important measures in this session.

Amending Selective Service Act

The first concerns the Selective Service Act, which expires next June 30. For the foreseeable future, our standing forces must remain much larger than voluntary methods can sustain. We must, therefore, extend the statutory authority to induct men for two years of military service.

The second kind of measure concerns the rapid turnover of our most experienced service men. This process seriously weakens the combat readiness of our armed forces and is exorbitantly expensive. To encourage more trained service men to remain in uniform, I shall, on the thirteenth of this month, propose a number of measures to increase the attractions of a military career. These measures will include more adequate medical care for dependents, survivors' benefits, more and better housing, and selective adjustments in military pay and other allowances.

And third—also on Jan. 13—I shall present a program to rebuild and strengthen the civilian components of our armed forces. This is a comprehensive program, designed to make better use of our man power of military age. Because it will go far in assuring fair and equitable participation in military training and service, it is of particular importance to our combat veterans. In keeping with the historic military policy of our republic this program is designed to build and maintain powerful civilian reserves immediately capable of effective military service in an emergency in lieu of maintaining active duty forces in excess of the nation's immediate need.

Promoting Internal Security

Maintenance of an effective defense requires continuance of our aggressive attack on subversion. In this effort we have, in the past two years, made excellent progress. FBI investigations have been powerfully reinforced by a new internal security division in the Department of Justice; the security activities of the Immigration and Naturalization Service have been revitalized; an improved and strengthened security system is in effect throughout the government; the Department of Justice and the FBI have been armed with effective new legal weapons forged by the Eighty-third Congress.

We shall continue to ferret out and to destroy Communist subversion.

We shall, in the process, carefully preserve our traditions and the basic rights of our citizens.

Our civil defense program is also a key element in the protection of our country. We are developing co-operative methods with state governors, mayors and voluntary citizen groups, as well as among Federal agencies, in building the civil defense organization. Its significance in time of war is obvious: its swift assistance in disaster areas last year proved its importance in time of peace.

An industry capable of rapid expansion and essential materials and facilities swiftly available in time of emergency are indispensable to our defense. I urge, therefore, a two-year extension of the Defense Production Act and Title II of the first War Powers Act of 1941. These are cornerstones of our program for the development and maintenance of an adequate mobilization base.

At this point, I should like to make this additional observation:

Our quest for peace and freedom necessarily presumes that we who hold positions of public trust must rise above self and section—that we must subordinate to the general good our partisan, our personal pride and prejudice. Tirelessly, with united purpose, we must fortify the material and spiritual foundations of this land of freedom and of free nations throughout the world. As never before, there is need for unhesitating co-operation among the branches of our government.

At this time the executive and legislative branches are under the management of different political parties. This fact places both parties on trial before the American people.

In less perilous days of the past, division of governmental responsibility among our great parties has produced a paralyzing indecision. We must not let this happen in our time. We must avoid a paralysis of the will for peace and international security.

In the traditionally bipartisan areas—military security and foreign relations — I can report to you that I have already, with the leaders of this Congress, expressed assurances of unreserved co-operation. Yet, the strength of our country requires more than maintenance of mere military strength and success in foreign affairs; these vital matters are in turn dependent upon concerted and vigorous action in a number of supporting programs.

Calls for Executive-Legislative Co-Operation

I say, therefore, to the Eighty-fourth Congress:

In all areas basic to the strenght of America, there will be—to the extent I can insure them—co-operative, constructive relations between the executive and legislative branches of this government. Let the general good be our yardstick on every great issue of our time.

Our efforts to defend our freedom and to secure a just peace are, of course, inseparable from the second great purpose of our government: to help maintain a strong, growing economy — an economy vigorous and free, in which there are ever-increasing opportunities, just rewards for effort, and a stable prosperity that is widely shared.

In the past two years, many important governmental actions helped our economy adjust to conditions of peace; these and other actions created a climate for renewed economic growth. Controls were removed from wages, prices and materials. Tax revisions encouraged increased private spending and employment. Federal expenditures were sharply reduced, making possible a record tax cut. These actions, together with flexible monetary and debt management policies, helped to halt inflation and stabilize the value of the dollar. A program of co-operation and partnership in resource development was begun. Social security and unemployment insurance laws were broadened and strengthened. New laws started the long process of balancing farm production with farm markets. Expanded shipbuilding and stockpiling programs strengthened key sectors of the economy, while improving our mobilization base. A comprehensive new housing law brought impressive progress in an area fundamental to our economic strength and closed loopholes in the old laws permitting dishonest manipulations. Many of these programs are just beginning to exert their main stimulating effect upon the economy generally and upon specific communities and industries throughout the country. The past year—1954—was one of the most prosperous years in our history. Business activity now surges with new strength. Production is rising. Employment is high. Toward the end of last year average weekly wages in manufacturing were higher than ever before. Personal income after taxes is at a record level. So is consumer spending. Construction activity is reaching new peaks. Export demand for our goods is strong. State and local government expenditures on public works are rising. Savings are high, and credit is readily available.

So, today, the transition to a peace time economy is largely behind us.

Sees Good Economic Outlook

The economic outlook is good.

The many promising factors I have mentioned do not guarantee sustained economic expansion; however, they do give us a strong position from which to carry forward our economic growth. If we as a people act wisely within ten years our annual national output can rise from its present level of about $360,000,000,000 to $500,000,000,000, measured in dollars of stable buying power.

My budget message on Jan. 17, the economic report on the twentieth of this month, and several special message will set forth in detail major programs to foster the growth of our economy and to protect the integrity of the people's money. Today I shall discuss these programs only in general terms.

Government efficiency and economy remain essential to steady progress toward a balanced budget. More than $10 billion were cut from the spending program proposed in the budget of Jan. 9, 1953. Expenditures of that year were six and a half billions below those of the previous year. In the current fiscal year, government spending will be nearly $4½ bilion less than in the fiscal year which ended last June 30. New spending authority has been held below expenditures, reducing governmental obligations accumulated over the years.

Last year we had a large tax cut and, for the first time in 75 years, a basic revision of Federal tax laws. It is now clear that defense and other essential government costs must remain at a level precluding further tax reductions this year. Although excise and corporation income taxes must, therefore, be continued at their present rates, further tax cuts will be possible when justified by lower expenditures and by revenue increases arising from the nation's economic growth. I am hopeful that such reductions can be made next year.

At the foundation of our economic growth are the raw materials and energy produced from our minerals and fuels, lands and forest, and water resources. With respect to them, I believe that the nation must adhere to three fundamental policies: first, to develop, wisely use and conserve basic resources from generation to generation; second, to follow the historic pattern of developing these resources primarily by private citizens under fair provisions of law, including restraints for proper conservation, and third, to treat resource development as a partnership undertaking — a partnership in which the participation of private citizens and state and local governments is as necessary as Federal participation.

This policy of partnership and co-operation is producing good results, most immediately noticeable in respect to water resources. First, it has encouraged local public bodies and private citizens to plan their own power sources. Increasing numbers of applications to the Federal Power Commission to conduct surveys and prepare plans for power development, notably in the Columbia River Basin, are evidence of local response.

Second, the Federal Government and local and private organizations have been encouraged to co-ordinate their developments. This is important because Federal hyro-electric developments supply but a small fraction of the nation's power needs. Such partnership projects as Priest Rapids in Washington, the Coosa River development in Alabama, and Markham Ferry in Oklahoma already have the approval of the Congress. This year justifiable projects of a similar nature will again have Administration support.

Third, the Federal Government must shoulder its own partnership obligations by undertaking projects of such complexity and size that their success requires Federal development. In keeping with this principle, I again urge the Congress to approve the development of the upper Colorado River Basin to conserve and assure better use of precious water essential to the future of the West.

In addition, the 1956 budget will recommend appropriations to start six new reclamation and more than 30 new Corps of Engineers projects of varying size. Going projects and investigations of potential new resource developments will be continued.

Although this partnership approach is producing encouraging results, its full success requires a nation-wide comprehensive water resources policy firmly based in law. Such a policy is under preparation and when completed will be submitted to the Congress.

In the interest of their proper conservation, development and use, continued vigilance will be maintained over our fisheries, wildlife resources, the national parks and forests, and the public lands; and we shall continue to encourage an orderly development of the nation's mineral resources.

Calls for More and Better Highways

A modern, efficient highway system is essential to meet the needs of our growing population, our expanding economy, and our national security. We are accelerating our highway improvement program as rapidly as possible under existing state and Federal laws, and authorizations. However, this effort will not in itself assure our people of an adequate highway system. On my recommendation, this problem has been carefully considered by the Conference of State Governors and by a special advisory committee on a national highway program, composed of leading private citizens. I have received the recommendations of the Governors' conference and will shortly receive the views of the special advisory committee. Aided by their findings, I shall submit on Jan. 27 detailed recommendations which will meet our most pressing national highway needs.

In further recognition of the importance of transportation to our economic strength and security the Administration, through a Cabinet committee, is thoroughly examining existing Federal transportation policies to determine their effect on the adequacy of transportation services. This is the first such comprehensive review directly undertaken by the Executive branch of the government in modern times. We are not only examining major problems facing the various modes of transport, we are also studying closely the inter-relationships of civilian and government requirements for transportation. Legislation will be recommended to correct policy deficiencies which we may find.

Vast Public Works Activities

The nation's public works activities are tremendous in scope. It is expected that more than $12 billion will be expended in 1955 for the development of land,

water and other resources; control of floods, and navigation and harbor improvement; construction of roads, schools and municipal water supplies, and disposal of domestic and industrial wastes. Many of the Federal, state and local agencies responsible for this work are, in their separate capacities, highly efficient. But public works activities are closely interrelated and have a substantial influence on the growth of the country. Moreover, in times of threatening economic contraction, they may become a valuable sustaining force. To these ends, efficient planning and execution of the nation's public works require both the co-ordination of Federal activities and effective co-operation with state and local governments.

The Council of Economic Advisers, through its public works planning section, has made important advances during the past year in effecting this co-ordination and co-operation. In view of the success of these initial efforts, and to give more emphasis and continuity to this essential co-ordination, I shall request the Congress to appropriate funds for the support of an office of Co-ordinator of Public Works in the executive office of the President.

Problems of Agriculture

A most significant element in our growing economy is an agriculture that is stable, prosperous and free. The problems of our agriculture have evolved over many years and cannot be solved over night; nevertheless, governmental actions last year hold great promise of fostering a better balance between production and market and, consequently, a better and more stable income for our farmers.

Through vigorous administration and through new authority provided by the Eigthy-third Congress, surplus farm products are now moving into consumption. From February, 1953, through November, 1954, the rate of increase of government-held surpluses has been reduced by our moving into use more than $2.3 billion worth of government-owned farm commodities; this amount is equal to more than 7% of a year's production of all our farms and ranches. Domestic consumption remains high, and farm exports will be higher than last year. As a result of the flexibility provided by the Agricultural Act of 1954, we can move toward less restrictive acreage controls.

Thus, farm production is gradually adjusting to markets, markets are being expanded and stocks are moving into use. We can now look forward to an easing of the influences depressing farm prices, to reduced government expenditures for purchase of surplus products and to less Federal intrusion into the lives and plans of our farm people. Agricultural programs have been redirected toward better balance, greater stability and sustained prosperity. We are headed in the right direction. I urgently recommend to the Congress that we continue resolutely on this road.

Greater attention must be directed to the needs of low-income farm families. Twenty-eight per cent of our farm operator families have net cash incomes of less than $1,000 per year. Last year, at my request, careful studies were made of the problems of these farm people. I shall later submit recommendations designed to assure the steady alleviation of their most pressing concerns.

Because drought also remains a serious agricultural problem, I shall recommend legislation to strengthen Federal disaster assistance programs. This legislation will prescribe an improved appraisal of need, better adjustment of the various programs to local conditions, and a more equitable sharing of costs between the states and the Federal Government.

The prosperity of our small business enterprises is an indispensable element in the maintenance of our economic strength. Creation of the Small Business Administration and recently enacted tax laws facilitating small business expansion are but two of many important steps we have taken to encourage our smaller enterprises. I recommend that the Congress extend the Small Business Act of 1953 which is due to expire next June.

Proposes a New National Health Program

We come now to the third great purpose of our government — its concern for the health, productivity and well-being of all our people.

Every citizen wants to give full expression to his God-given talents and abilities and to have the recognition and respect accorded under our religious and political traditions. Americans also want a good material standard of living —not simply to accumulate possessions, but to fulfill a legitimate aspiration for an environment in which their families may live meaningful and happy lives. Our people are committed, therefore, to the creation and preservation of opportunity for every citizen to lead a more rewarding life. They are equally committed to the alleviation of misfortune and distress among their fellow citizens.

The aspirations of most of our people can best be fulfilled through their own enterprise and initiative, without government interference. This Administration, therefore, follows two simple rules: first, the Federal Government should perform an essential task only when it cannot otherwise be adequately performed, and second, in performing that task, our government must not impair the self-respect, freedom and incentive of the individual. So long as these two rules are observed, the government can fully meet its obligation without creating a dependent population or a domineering bureaucracy.

During the last two years, notable advances were made in these functions of government. Protection of old-age and survivors' insurance was extended to an additional 10,000,000 of our people, and the benefits were substantially increased. Legislation was enacted to provide unemployment insurance protection to some 4,000,000 additional Americans. Stabilization of living costs and the halting of inflation protected the value of pensions and savings. A broad program now helps to bring good homes within the reach of the great majority of our people. With the states, we are providing rehabilitation facilities and more clinics, hospitals, and nursing homes for patients with chronic illnesses. Also with the states, we have begun a great and fruitful expansion in the restoration of disabled persons to employment and useful lives. In the areas of Federal responsibility, we have made historic progress in eliminating from among our people demeaning practices based on race or color.

All of us may be proud of these achievements during the past two years, yet essential Federal tasks remain to be done.

As part of our efforts to provide decent, safe and sanitary housing for low-income families, we must carry forward the housing program authorized during the Eighty-third Congress. We must also authorize contracts for a firm program of 35,000 additional public housing units in each of the next two fiscal years. This program will meet the most pressing obligations of the Federal Government into the 1958 fiscal year for planning and building public housing. By that time the private building industry, aided by the Housing Act of 1954, will have had the opportunity to assume its full role in providing adequate housing for our low-income families.

The health of our people is one of our most precious assets. Preventable sickness should be prevented; knowledge available to combat disease and disability should be fully used. Otherwise, we as a people are guilty not only of neglect of human suffering but also of wasting our national strength.

Constant advances in medical care are not available to enough of our citizens. Clearly out nation must do more to reduce the impact of accident and disease. Two fundamental problems confront us: first, high and ever-rising costs of health services; second, serious gaps and shortages in these services.

Socialized Medicine

By special message on Jan. 24, I shall propose a co-ordinated program to strengthen and improve existing health services. This program will continue to reject socialized medicine. It will emphasize individual and local responsibility. Under it the Federal Government will neither dominate not direct, but serve as a helpful partner. Within this framework, the program can be broad in scope.

My recommendations will include a Federal health reinsurance service to encourage the development of more and better voluntary health insurance coverage by private organizations. I shall also recommend measures to improve medical care of that group of our citizens who, because of need, receive Federal-state public assistance. These two proposals will help more of our people to meet the costs of health services.

Specified Health Service Proposals

To reduce the gaps in these services, I shall propose:

New measures to facilitate construction of needed health facilities and help reduce shortages of trained health personnel;

Vigorous steps to combat the misery and national loss involved in mental illness;

Improved services for crippled children and for maternal and child health;

Better consumer protection under our existing pure food and drug laws; and, finally,

Strengthened programs to combat the increasingly serious pollution of our rivers and streams and the growing problems of air pollution.

These measures together constitute a comprehensive program holding rich promise for better health for all of our people.

Last year's expansion of social security coverage and our new program of improved medical care for public assistance recipients together suggest modification of the formula for Federal sharing in old age assistance payments. I recommend modification of the formula where such payments will, in the future, supplement benefits received under the old age and survivors insurance system.

It is the inalienable right of every person, from childhood on, to have access to knowledge. In our form of society, this right of the individual takes on a special meaning, for the education of all our citizens is imperative to the maintenance and invigoration of America's free institutions.

Today, we face grave educational problems. Effective and up-to-date analyses of these problems and their solutions are being carried forward through the individual state conferences and the White House conference to be completed this year.

However, such factors as population growth, additional responsibilities of schools, and increased and longer school attendance have produced an unprecedented classroom shortage. This shortage is of immediate concern to all of our people. Positive, affirmative action must be taken now.

Without impairing in any way the responsibilities of our states, localities, communities, or families, the Federal Government can and should serve as an effective agent in dealing with this problem. I shall forward a special message to the Congress on Feb. 15, presenting an affirmative program dealing with this shortage.

To help the states do a better and more timely job, we must strengthen their resources for preventing and dealing with juvenile delinquency. I shall propose Federal legislation to assist the states to promote concerted action in dealing with this nation-wide problem. I shall also carry for

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ward the vigorous efforts of the Administration to improve the international control of the traffic in narcotics and, in co-operation with state and local agencies, to combat narcotic addiction in our country.

Aiding Wage-Earners

I should like to speak now of additional matters of importance to all our people and especially to our people and especially to our wage earners.

During the past year certain industrial changes and the readjustment of the economy to conditions of peace brought unemployment and other difficulties to various localities and industries. These problems are engaging our most earnest attention. But for the overwhelming majority of our working people, the past year has meant good jobs. Moreover, the earnings and savings of our wage earners are no longer depreciating in value. Because of cooperative relations between labor and management, fewer working days were lost through strikes in 1954 than in any year in the past decade.

The outlook for our wage earners can be made still more promising by several legislative actions.

First, in the past five years we have had economic growth which will support an increase in the Federal minimum wage. In the light of present economic conditions, I recommend its increase to 90 cents an hour. I also recommend that many others, at present excluded, be given the protection of a minimum wage.

Second, I renew my recommendation of last year for amendment of the Labor Management Relations Act of 1947 to further the basic objectives of this statute. I especially call to the attention of the Congress amendments dealing with the right of economic strikers to vote in representation elections and the need for equalizing the obligation under the act to file disclaimers of Communist affiliation.

Third, the Administration will propose other important measures including occupational safety, and the "eight-hour laws" applicable to Federal contractors. Legislation will also be proposed respecting non-occupational disability insurance and unemployment compensation in the District of Columbia.

Aiding Federal Workers

In considering human needs, the Federal Government must take special responsibility for citizens in its direct employ. On Jan. 11 I shall propose a pay adjustment plan for civilian employees outside the postal field service to correct inequities and increase individual pay rates, and I shall also recommend voluntary health insurance on a contributory basis for Federal employees and their dependents. In keeping with the Group Life Insurance Act passed in the Eighty-third Congress, this protection should be provided on the group insurance principle and purchased from private facilities. Also on Jan. 11, I shall recommend a modern pay plan, including pay increases, for postal field employees. As part of this program, and to carry forward our progress toward elimination of the lareg annual postal deficit, I shall renew my request for an increase in postal rates. Again I urge that in the future the fixing of rates be delegated to an impartial, independent body.

More adequate training programs to equip career employees of the government to render improved public service will be recommended, as will improvements in the laws affecting employees serving on foreign assignments.

Needed improvements in survivor, disability, and retirement benefits for Federal civilian and military personnel have been extensively considered by the Committee on Retirement Policy for Federal Personnel. The committee's proposals would strengthen and improve benefits for our career people in government, and I indorse their broad objectives. Full contributory coverage under old-age and survivors' insurance should be made available to all Federal personnel, just as in private industry. For career military personnel, the protection of the Old-Age and Survivors' Insurance System would be an important and long-needed addition, especially to their present unequal and inadequate survivorship protection. The military retirement pay system should remain separate and unchanged. Certain adjustments in the present civilian personnel retirement system will be needed to reflect the additional protection of old-age survivors' insurance. However, these systems also are a basic part of a total compensation and should be separately and independently retained.

I also urge the Congress to approve a long overdue increase in the salaries of members of the Congress and of the Federal judiciary to a level commensurate with their heavy responsibilities.

Our concern for the individual in our country requires that we consider several additional problems.

We must continue our problem to help our Indian citizens improve their lot and make their full contribution to national life.

Wants Change in Immigration Act

Two years ago I advised the Congress of injustices under existing immigration laws. Through humane administration, the Department of Justice is doing what it legally can to alleviate hardships. Clearance of aliens before arrival has been initiated, and except for criminal offenders, the imprisonment of aliens awaiting admission or deportation has been stopped. Certain provisions of law, however, have the effect of compelling action in respect to aliens which are inequitable in some instances and discriminatory in others. These provisions should be corrected in this session of the Congress.

As the complex problems of Alaska are resolved, that territory should expect to achieve statehood. In the mean time, there is no justification for deferring the admission to statehood of Hawaii. I again urge approval of this measure.

We have three splendid opportunities to demonstrate the strength of our belief in the right of suffrage. First, I again urge that a constitutional amendment be submitted to the states to reduce the voting age for Federal elections. Second, I renew my request that the principle of self-government be extended and the right of suffrage granted to the citizens of the District of Columbia. Third, I again recommend that we work with the states to preserve the voting rights of citizens in the nation's service overseas.

In our determination to keep faith with those who in the past have met the highest call of citizenship, we now have under study the system of benefits for veterans and for surviving dependents of decreased veterans and service man. Studies will be undertaken to determine the need for measures to ease the readjustment to civilian life of men required to enter the armed forces for two years of service.

In the advancement of the various activities which will make our civilization endure and flourish, the Federal Government should do more to give official recognition to the importance of the arts and other cultural activities. I shall recommend the establishment of a Federal advisory commission on the arts within the Department of Health, Education and Welfare, to advise the Federal Government on ways of encourage artistic endeavor and appreciation. I shall also propose that awards of merit be established whereby we can honor our fellow citizens who make great contribution to the advancement of our civilization.

Every citizen rightly expects efficient and economical administration of these many government programs. I have outlined today. I strongly recommende extension of the Reorganization Act and the law establishing the Commission on Intergovernmental Relations, both of which expire this spring. Thus the Congress will assure continuation of the excellent progress recently made in improving government organization and administration. In this connection we are looking forward with great interest to the reports which will soon be going to the Congress from the Commission on Organization of the Executive Branch of the Government. I am sure that these studies, made under the chairmanship of former President Herbert Hoover with the assistance of more than 200 distinguished citizens, will be of great value in paying the way toward more efficiency and economy in the government.

Programs Adjusted to Peoples Needs

And now, I return to the point at which I began—the faith of our people.

The many programs here summarized are, I believe, in full keeping with their needs, interests and aspirations. The obligations upon us are clear:

To labor earnestly, patiently, prayerfully, for peace, for freedom, for justice, throughout the world;

To keep our economy vigorous and free, that our people may lead fuller, happier lives;

To advance, not merely by our words but by our acts, the determination of our government that every citizen shall have opportunity to develop to his fullest capacity.

As we do these things, before us is a future filled with opportunity and hope. That future will be ours if in our time we keep alive the patience, the courage, the confidence in tomorrow, the deep faith, of the millions who, in years past, made and preserved us this nation.

A decade ago, in the death and desolation of European battlefields, I saw the courage and resolution, I felt the inspiration, of American youth. In these young men, I felt America's buoyant confidence and irresistible will-to-do. In them I saw, too, a devout America, humble before God.

And so, I know with all my heart—and I deeply believe that all Americans know—that, despite the anxieties of this divided world, our faith, and the cause in which we all believe, will surely prevail.

Elmer H. Bright Admits

BOSTON, Mass. — On Jan. 13, Joseph W. Menges will become a partner in Elmer H. Bright & Co., 84 State Street, members of the New York and Boston Stock Exchanges.

Hawkes Admitting

Hawkes & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Margaret Q. Anderson to limited partnership.

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Small Business and the Federal Government

provides that all loans made by the Small Business Administration must be of such sound value or so secured as reasonably to assure repayment thereof. Such a provision obviously requires an applicant to show adequate collateral, experienced and satisfactory management, and a good past earnings record and future prospects.

In other words, the only credits which we consider to be of sound value are those in which the records of the applicant furnish reasonable assurance of his ability to repay the desired loan from the profits of his business.

Additionally, we feel that an applicant should offer collateral which would be adequate to secure a proposed loan in the event some unforeseen difficulties or circumstances were to result in his inability to repay the credit from earnings. Furthermore, we believe that a proposed borrower should have a substantial equity investment in his own business, represented by fixed or other assets which would constitute acceptable security.

However, in each case presented to us, we make every effort to find a way in which a loan can be made to a deserving small businessman, provided the desired credit will actually benefit the borrower, the community, and the economy.

Obviously, because of statutory and policy restrictions, it is not possible for the Small Business Administration to approve every application for a participation loan.

In some cases, we have declined loans which would be used primarily to reduce the exposure of a creditor. In other instances, the type of business conducted by the applicant is one which is not eligible for consideration by the Agency.

Again, there are cases in which we fell that the applicant is unable to meet the credit requirements of the Small Business Act of 1953.

However, when a local bank has recommended a loan and agreed to participate therein, it has been our experience that such credits nearly always meet our legal and policy standards and constitute sound loans.

In participation loans, the bank fixes the interest rate to be charged.

Under our loan policy, the interest on the government's share of such loans must be at least 5%.

The Agency's loan policy also established an interest rate of 6% per annum on direct loans. The obvious purpose of that requirement was to avoid the possibility of government business loans being made on a more attractive basis. In other words, to repeat, we are positively not in competition with private banks.

In furtherance of the National Administration's efforts to encourage private lending, the Congress amended the Federal Reserve Act last summer to permit banks in the National Banking System to omit the Small Business Administration's share of participation credits from their total loans in the computation of their legal limitations. Such action, of course, coincides with similar legislation covering other types of Federal Governmental loans. Many of the state legislatures have likewise permitted such an exclusion for their state banks.

It is true, of course, that most of the loans made by the Small Business Administration are for longer periods than those ordinarily preferred by commercial banks.

By their nature, such loans are more costly to investigate and analyze. However, we feel that there is a definite opportunity to be of service to the community and the nation in this field.

Happily enough, on many occasions, banks have taken all of a loan in which they originally planned only to take a part.

Notwithstanding the fact that the Small Business Administration is authorized to make loans for as long as ten years, the average term of our loans has been less than six years, and a large percentage are for four- and five-year periods.

Since private banks are usually able to provide short-term credits in adequate amounts, our activity in connection with loans for less than two years is generally limited to those cases in which government contract financing is involved.

At the time our financial assistance program was being formulated, we consulted with many bankers throughout the country and developed our policies and plans in accordance with their suggestions and recommendations to the greatest possible extent.

Today, we are still constantly obtaining the benefit of their views. Many bankers are members of our local advisory boards.

The credit judgment of local banks has been uniformly good. Obviously, our country could not otherwise have grown and prospered as it has. Banks throughout the country have also been helpful to us in appraising credit information.

Although about 40% of our loans have been made to manufacturers, almost all types of businesses are eligible for consideration. As I have said, a few enterprises are not eligible for loans from the Small Business Administration because of statutory or policy limitations.

Our Public Statement of Loan Policy, which is available on request at all of our offices, very clearly sets forth those types of businesses which would not be eligible for a loan.

Needless to say, the Small Business Administration will maintain a continuous review of its loans, in order to assure their use for the purposes for which they were intended, as well as the repayment thereof, in accordance with the requirements of the law.

Thus far, we have had no delinquency problems. As of Nov. 1, 1954, only two business loan instalment payments were late. We emphasize prompt payments and will enforce firm collection procedures.

At the present time, the Small Business Administration is servicing more than 5,000 loans, aggregating approximately $74,000,000. Of that total, over 1,000, for $55,170,000, are business loans; 813, for $4,133,000, are disaster loans made by the Small Business Administration; and 3,300, amounting to $15,000,000, are disaster loans, made by the Reconstruction Finance Corporation, which are now being administered by the Small Business Administration.

Altogether, as of Nov. 30, 1954, the Small Business Administration had received, for consideration and processing, 3,825 business loan applications, totaling $223,-256,000, and 1,128 disaster loan requests, aggregating $8,713,000.

To summarize, in the past year, a grand total of nearly 5,000 applications have been filed, amount-

ing to about $232,000,000. In addition to its participation and direct lending activities, the Small Business Administration renders financial counseling services to small enterprises, which we feel have produced some noteworthy results.

Our recommendations and suggestions in this respect invariably favor bank financing. A small California wholesaler of upholstery fabrics advised us that the short term credit provided by its bank did not enable it to carry the inventory required to meet competition and to supply the demands of its customers.

A Small Business Administration financial specialist suggested that field warehousing be arranged, and thereafter assisted the applicant in obtaining bank financing secured by warehouse receipts. Obviously, such a solution was more satisfactory to the bank and the customer.

A Maryland manufacturer was refused a substantial military contract, on which he was low bidder, because of a question of financial competence to perform. A Small Business Administration representative was successful in arranging private financing for the company, which enabled it to qualify for award of the contract.

Many other examples could be related.

Admittedly, no lending program can be perfected in a single year; and we certainly realize that ours could stand improvement. Accordingly, we are continuously striving for the further refinement of our operating procedures.

We do not process loans as fast as you bankers do, or as fast as we would like.

We are endeavoring to reduce the present average of 30 days for processing a loan application. This length of time is partly the result of a manpower problem.

Although we have adopted some streamlining, we are constantly searching for more simplified methods, recognizing always, however, that we must retain the safety factors which insure integrity.

One thing we are now doing for simplification is to consolidate our loan forms into a single form. Formerly we had separate forms for direct loans and participation loans. We now propose to have a single form, with more detailed instructions furnished.

The main point I wish to make here is that we are conscious of our imperfections; we are trying to correct them as speedily as possible.

We keep our ears open for complaints, and you gentlemen could do us a service if you would let us know your ideas of how we may improve.

If you do not remember any other word of mine today, please do remember this thought—that we are in no sense rivals or competitors.

As a clincher to my point, let me say that we stand ready at all times to sell any direct loan we have on our books to any private bank which may be interested in buying it; furthermore, we hope and expect that most of our participation loans will ultimately be taken over by local banks.

In other words, our lending program is rooted in the confident belief that the private banks of the country are doing a good job in providing for the credit requirements of business; and we realize that the proper role of the government in this field is to assist in those areas where such aid may be needed to promote and maintain a strong and expanding national economy.

It cannot be emphasized too strongly that our lending programs are geared to active and most sincere cooperation with local banks in their own communities.

It is our firm belief that that is the only way in which we can assist in the maintenance of a prosperous economy, which will provide a healthy environment for small and large firms alike and opportunities for increased business and employment.

We in the Small Business Administration feel that the private banks of the nation can take merited pride in their accomplishments during 1954 and particularly in their substantial contribution to the satisfaction of the credit requirements of small businesses throughout the country.

I think you will agree with me when I say that 1954 has been a good year, as years go, for the whole economy and for the banking business, in spite of the growth of internal financing and of equity financing by companies.

Loan Demand Should Hold Up

I am told by the economists that the loan demand in the last quarter of 1954 and the first quarter of 1955 should prove to be pretty good, allowing for seasonable factors both ways. One thing which should uphold borrowing demand in the next three or four months is the new law requiring corporations to pay 50% of their income taxes next March. Another thing is that businessmen are going to have to start building up inventories in the next few months—some are already doing so—and inventories are mostly financed by borrowings.

The building boom, which keeps on breaking its own new records, should continue on through 1955; and that will mean strong mortgage demand.

There is no reason why the public should not continue to buy heavily of consumer goods "on the cuff," and that will also tend to keep borrowings at least steady.

I think most of us read the same signs of quickening business as tokens of continued prosperity over the near term. On the intermediate and long-term side, there can be almost no room for doubt —given continued peace, even of the present sort.

Over the Long-Term

We are accustomed to seeing the fact of population increase pointed to as the guaranty of our continued prosperity. It is not quite that simple, although the fact of 11,000 new babies every day does call forth a tremendous demand, cumulatively.

The fact is that an enormous baby crop, of itself, does not produce prosperity. If that were so, then China, Japan, and India would be the most prosperous areas on earth; and we know that that is not the case.

Productivity is still the key to prosperity, with high demand per capita being made economically effective. Being able to furnish each oncoming claimant in the labor market with tools and equipment up to $10,000 or $12,000 apiece is the true test of our truly marvelous economy, and what differentiates us from the rest of the world.

We are living in a wondrous age, with more rapid change and betterment than was ever known in a like span. We are living amid industrial revolutions which do not paralyze us—that is the central thing to remember.

Keeping pace with the birthrate, we find the tools of productivity being furnished in a sort of mathematical progression — tools to build tools, to build yet more complicated tools, put together in automatic series, which we know as automation.

To furnish controls, far beyond our unaided physical strength or dexterity, we have the new sciences of electronics and servomechanisms, coming forward, multiplying one man by a dozen or producing the five senses and strengths of supermen.

To handle the fearful mental load of our operations and our scientific investigations, we are actually inventing mechanical brains which act infinitely beyond the brains of their creators in speed, accuracy, and capacity to do certain things. The young science of cybernetics comes to take its place, just in time, beside the new sciences of atomic energy, electronics, petrochemicals, automation, and servo-mechanisms.

All of them seem to come forward just in time to make further progress possible—to keep from holding up the parade. Everything leads to something else for this inventive, resourceful people.

Why should we not have faith —faith of all kinds—in this country and this age of miracles in which we are living?

Bankers Offer "Nickel Plate" 4½% Debs.

Blyth & Co., Inc. and Union Securities Corporation jointly headed an investment group which offered publicly yesterday (Jan 11) an issue of $36,000,000 35-year, 4½% income debentures, of The New York, Chicago & St. Louis RR. Co., due Dec. 31, 1989.

The group was awarded the issue on Tuesday on a bid of 99.55% for the indicated coupon and, subject to approval by the Interstate Commerce Commission, is reoffering the debentures at 100.875% to yield approximately 4.45%.

The railroad, more familiarly known as the "Nickel Plate Road," will use the proceeds, together with other funds from its treasury, to redeem on April 1, 1955 all of its outstanding 6% cumulative preferred stock.

Optional redemption prices range from 105⅝ starting Jan. 1, 1955 to par in 1989. Special redemption prices shall be an average of the prevailing optional redemption prices and the sinking fund call prices. The debentures are callable for the sinking fund at prices scaled from 100⅞ to par.

Nickel Plate operates approximately 2,179 miles of road mainly in New York, Pennsylvania, Ohio, Indiana and Illinois, and serves the cities of Buffalo, Chicago, Cleveland, Toledo, Ft. Wayne and Indianapolis.

The railroad reported for the first 10 months of 1954 railway operating revenues of $120,185,121 and net income of $10,586,882. For the calendar year 1953, railway operating revenues were $167,364,177 and net income was $17,866,796.

Judd & Gurfein Admits Goldstein To Firm

Judd & Gurfein, 655 Madison Avenue, New York City, announce that Nathaniel L. Goldstein, who has just completed his third term as Attorney General of the State of New York, has become a member of the firm and the firm name will be Goldstein, Judd & Gurfein.

Gabriel Securities Opens Two Branches

UNION CITY, N. J.—Gabriel Securities, 3420 Bergenline Avenue, announces the opening of a branch office at 1420 K Street, N. W., Washington, D. C. under the management of R. Crews, and in the Buffalo Hotel, Buffalo, N. Y. under the management of Michael Russo.

Midland Securities Wire to Eastman, Dillon

Midland Securities Corp., Limited, 50 King Street, West, Toronto, Canada, have installed a private wire to Eastman, Dillon & Co., 15 Broad Street, New York City.

Shortage of Money Is Big Hurdle Facing Business in 1955, Says Janeway

Economist predicts Federal authorities will be forced to make money easier for business despite tightening of speculative funds, to avoid locking-out of inventory buying and squeezing of smaller manufacturers. Holds stock market is not too high, and increased margin requirements will not stop the bull market

A hurdle looming ahead in 1955 is the mounting shortage of money for business and inventory borrowing, said Eliot Janeway, economist and adviser to the steel industry, at the Overhead Door Company Sales Convention in Muncie, Ind., on Jan. 7.

Eliot Janeway

Mr. Janeway, publisher of Janeway's Memo Service and author of "Struggle for Survival," the History of Economic Mobilization in World War II, predicted that the Federal Government would be forced "to make money easier because business is good and getting better all the time. This reaffirmation of the easy money policy will come," Mr. Janeway predicted, "despite the Federal Reserve's action to make speculative money tighter by raising margin requirements."

Margin Rise Will Not Stop Bull Market

"The stock market is not too high," Mr. Janeway observed, "because earnings and dividends are rising as fast as stocks. The higher margin requirement will not stop the bull market, but it will provide a contrast with the easy money action needed to meet business' booming demand for cash and credit."

The forum which Mr. Janeway addressed was sponsored by the Overhead Door Company. The Chairman was Mr. Neil W. Stewart, General Manager.

Inflation on the March

Coupled with these inescapable "easy money" reforms is the inflationary cycle now in the making in Western Europe, resulting from shortages of steel and copper, said Mr. Janeway.

"Metallic shortages are at once the cause and signal for inflation," he said. "When they arrive, price wage stability departs. Metallic shortages have arrived all over Europe. And all over Europe prices are on the rise and labor is on the march. For over two years Europe has been voting overwhelmingly for cash in preference to goods. Now a landslide reversal is sending Europe on the hunt for goods—at any price."

Asserting that the strength of recovery in Europe and the United States is creating an overwhelming demand for money and borrowing power, Mr. Janeway said. "I don't know of a time in recent economic history when business was so good without a parallel inventory accumulation. Inventories must be rebuilt. Yet in the face of absolutely certain price increases, business is threatened with a credit shortage endangering its need to accumulate inventory and thus protect itself against 1955's cost inflation."

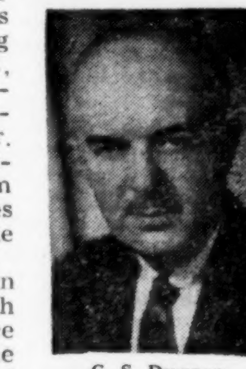
Reduction in bank reserves must come from the Federal Reserve Bank so as to increase the money supply, he said, "otherwise business will be locked out of inventory buying and smaller manufacturers will be locked out of a competitive buying position."

"Present legal reserve requirements," said Mr. Janeway, "represent unnecessary conservatism today, at a time when the country's business system needs more borrowing power, for short-term purposes, for inventory loans. No Washington theorizing or inflation-fighting can lock the nation's business out of the bank loans needed to bring inventories back into the chase after the runaway sales trend."

"A major factor contributing to business recovery and demand for money is that production is rapidly recovering to the level indicated by the sustained boom in construction," Mr. Janeway explained. "In 1954 production was abnormally low relative to construction. Construction will continue to pace our prosperity in 1955 and production will continue to catch up with it."

C. S. Duggan Joins Gen. Investing Corp.

C. S. Duggan has become associated with General Investing Corporation, 80 Wall Street, New York City, as Vice-President and co-Manager of the firm's underwriting department, it was announced, following Mr. Duggan's resignation from the Securities and Exchange Commission.



C. S. Duggan

Mr. Duggan had been with the SEC since 1937 with the exception of time spent in military service and on special assignments for the government in Europe. On one of these assignments he served as Director fo Finance and Accounting and as Chief of Chemical Cartels at the I. G. Farbenindustrie.

Prior to joining the SEC Mr. Duggan had for three years been a special agent with the Federal Bureau of Investigation.

Old Hickory Copper Stock at 40c a Share

General Investing Corp., New York City, is offering publicly 750,000 shares of common stock (par 10 cents) of Old Hickory Copper Co. at 40 cents per share "as a speculation."

Old Hickory Copper Co., incorporated in July, 1954, is engaged in the exploration and development of its present mining properties, located in the Old Baldy Mining District, Pima County, Arizona.

The net proceeds from the sale of the shares are to be used to pay expenses incident to mining operations; to purchase properties; and for drilling, exploration and development expenses.

Geo. Rooker Director

George S. Rooker of Dallas has been elected a Director of Hycalog, Inc., Shreveport oil well service concern. Mr. Rooker is Executive Vice-President of Keith Reed & Company, Inc., Dallas investment banking firm. Hycalog is one of the leading well-logging companies in the country operating in 16 states and 2 foreign countries. The company also manufactures, leases and sells diamond bits and provides core analysis and diamond coring service. Work is done for most of the major oil companies and large independents.

Continued from page 12

The SEC and the Courts

Commission to participate as *amicus curiae* on behalf of the plaintiff in the District Court. This, the Commission declined to do. The disputed issues of fact were tried to a jury which returned a verdict on the special questions submitted, deciding those issues in favor of the defendant in some respects and disagreeing on some issues.

Upon examination of the briefs submitted by both parties in connection with the plaintiff's motion to set aside the verdict, the Commission found that certain statements contained therein were not in accord with well established principles of law. Thereupon the Commission addressed a letter to the court briefly pointing out what it believed to be erroneous statements of law contained in the briefs and offering to file a brief as *amicus curiae* if called upon to do so by the court. There the matter stands at the present time so far as I know; no request has been received by the Commission from the court to file a brief as *amicus curiae* and I, therefore, assume that the court is satisfied that it can correctly decide the case without further aid from the Commission.

Functions of the Commission Under Chapter X of the Bankruptcy Act

The function of the Commission in a reorganization under Chapter X of the Bankruptcy Act presents an interesting illustration of the relationship between the SEC as an agency of the Executive Branch of the government and the Judiciary. Aside from the mandatory functions of the Commission under Chapter X, there is a large area in which the Commission's participation under Chapter X is discretionary. In this discretionary area the problems which confront the Commission in determining whether to participate are not unlike the problems confronting the Commission in determining whether to participate as *amicus curiae* in private litigation.

SEC's Role in Bringing About Chapter X

Before discussing the nature of the Commission's functions under Chapter X, I should like to mention the part played by the Commission in the last major amendment of the Bankruptcy Act in 1938. Under Section 211 of the Securities Exchange Act of 1934, Congress directed the Securities and Exchange Commission to make a study and investigation of the activities of protective and reorganization committees and to report the results of its study and its recommendations. The Protective Committee Study of the Commission did make an intensive inquiry into committee practices in the entire field of reorganization, including bankruptcy reorganizations, and reported to Congress in eight printed volumes. This report concluded that in reorganizations many abuses existed contrary to the interest of public investors. Generally those abuses involved conflicts of interest; exorbitant costs; control of reorganizations by those who should not have had control; lack of information for public investors, parties in interest and the courts; undue pressures upon the courts and security holders; and lack of adequate procedures and facilities for assuring fair and feasible plans. Chapter X was enacted to meet these abuses in the reorganization field.

Pointing out that the traditional jurisdiction of the Federal Courts over corporate reorganization had been developed under Section 77B of the Bankruptcy Act into a generally appropriate and acceptable form of proceeding, the Commission recommended that the supervision of reorganizations by the courts should not be replaced by that of an administrative agency. Rather, the Commission recommended that the powers of the courts be broadened and their decisions made more effective by requiring the appointment of an independent trustee and by affording the courts the assistance of an administrative body, expert in financial and business affairs. In addition to these recommendations, the Commission advocated other changes which, among other matters, involved giving creditors and stockholders greater rights to participate in reorganization proceedings and assuring their receipt of adequate information upon which they could base their participation in a reorganization or their vote on a plan of reorganization.

The Commission, during 1937 and 1938, together with members of the National Bankruptcy Conference, assisted in drafting a new section on reorganization in the proposals to amend the Bankruptcy Act. The Congressional Committee Reports, in addition to reporting on other aspects of the proposed bill, pointed out the defects in Section 77B, concluded that it required a complete revision, and indicated that the defects has been dealt with and corrected in Chapter X.

Scope of SEC's Functions Under Chapter X

In substance, the Commission's basic recommendations were adopted by Congress. An independent trustee is required to be appointed in all Chapter X cases involving debts of $250,000 or more (Sec. 156). His counsel is likewise required to be independent (Sec. 151). The Chapter X trustee is given the duty to investigate the affairs of the debtor, as directed by the judge, and to report the results to the judge, including any fraud, misconduct, mismanagement or irregularities (Sec. 167). A report on the financial condition of the debtor must be prepared by the trustee and transmitted to creditors and stockholders, who may then submit to the trustee suggestions for a plan (Sec. 167). The trustee has the primary responsibilty for preparing a plan (Sec. 169). When this is filed, a hearing is held, on notice to all creditors and stockholders, and any objections, amendments and other proposals are heard (Sec. 169).

Where the debtor's liabilities are more than $3,000,000, the judge must refer the plan or plans he regards worthy of consideration to the Commission for an advisory report; where the liabiities are less than $3,000,000, he may do so (Sec. 172). The judge fixes the time within which the Commission's report is to be filed, or its notification that it will not file a report (Sec. 173). Thereafter the judge approves the plan or plans determined by him to be fair and equitable, and feasible. The approved plan or plans are then submitted to creditors and stockholders for their vote (Sec. 174). At the same time, they are given the judge's opinion and the Commission's report, if any, together with such other material authorized by the judge (Sec. 175). After the vote is taken, the judge confirms the plan if he is satisfied that the plan is fair and equitable, and feasible; acceptances by the required majorities of creditors and stockholders are in good faith; all payments for fees and expenses are disclosed and have been or will be approved by him; and the appointment of the new management is equitable, in the interests of creditors and stockholders and consistent with public policy (Sec. 221).

Section 208 of Chapter X provides that the Securities and Exchange Commission shall, if requested by the judge, and may, upon its own motion if approved by the judge, file its appearance in a Chapter X proceeding. It is thereupon deemed to be a party in interest with a right to be heard on all matters arising in such proceeding but has no independent right to appeal. According to the Congressional Committee Report, the Commission's intervention is in the interest of adequate representation of the public interest and for the purpose of regularizing its assistance to the courts. (Sen. Report 1916, 75th Cong., 3rd Sess. April 20, 1938.) Implementing its advisory function under Chapter X, Section 265a and other sections provide for the transmission of notices of important hearings and of important documents in all Chapter X proceedings to the Commission.

Appraisal of SEC's Functions Under Chapter X

As a general matter, the Commission has deemed it appropriate to seek to participate only in proceedings in which a substantial public investor interest is involved. Where special features indicated its desirability, the Commission has become a party to smaller cases. Through its nationwide activity and continuous experience in bankruptcy reorganization the Commission has been able to encourage uniform and appropriate application of the principles and policies of Chapter X. The Commission has often been called upon by judges, referees, trustees and parties for advice and suggestions, even in cases in which it has not participated. In the latter case, where important questions of general interest in Chapter X have arisen, the Commission on occasion has filed a brief with the district or appellate court as *amicus curiae*.

In the period since the enactment of Chapter X the Commission has been a party to more than 300 Chapter X proceedings involving stated assets of more than $3,000,000,000 and stated liabilities of more than $2,000,000,000. In recent years, due to the fortunate position of American industry in general, the Commission's Chapter X activities have been reduced to a minimum and we at the Commission hope that this trend will continue. Be that as it may, during this current fiscal period the Commission has had only two occasions when it has determined it necessary to file its appearance in new Chapter X proceedings.

Since its participation in Chapter X proceedings in 1938, the Commission has issued 32 advisory reports and 24 supplemental advisory reports. While these formal advisory reports represent only a small portion of the work of the Commission in Chapter X proceedings, nevertheless, the advisory reports occupy a prominent position in the reorganization field. Generally speaking, an advisory report is prepared only in a case involving a large public investor interest and in which significant problems exist. In many cases, even though the corporation is of significant size and importance, because of the exigencies of time or for other reasons Commission counsel makes detailed oral presentation of the Commission's views and the reasons therefor. Similarly, in the smaller cases, the Commission's views are given orally by counsel.

The weight given to the Commission's recommendations in Chapter X proceedings is illustrated by the following quotation from an opinion by the United States Court of Appeals for the Second Circuit in a recent case:

"Naturally careful consideration is due the conclusion of the able district judge who has had this lengthy reorganization so long under his control. At the same time we cannot overlook the fact that the governmental agency charged with substantial responsibility in the premises, the Securities and Exchange Commission, has made an extensive investigation resulting in a detailed and helpful report with a reasoned conclusion which the trial judge has rather summarily rejected. If the considered findings of this agency, with so much better facilities for investigation than those possessed by either this or the trial court, are to have any force beyond their initial impact below, then we think that they will largely offset the usual presumption accorded a decision of first instance. Otherwise much of the statutory purpose in creating an expert body for the consideration of technical problems will be set at naught. Compare 6 Collier on Bankruptcy, Par. 7.30, 14th Ed. 1947. We have elsewhere stressed the importance of due regard for Commission findings. Finn v. Childs Co., 2 Cir., 181 F. 2d 431, 438; and we are clear that here, too, we must give weight to the detailed evaluation of the facts made by this reliable and experienced public agency and the conclusion reached, even though this was not accepted by the trial judge."

In addition, a Congressional Committee which recently examined various functions of the Commission had occasion to request the views of the judiciary upon the Commission's activities in Chapter X cases. The Committee reported:

"The judges' replies reveal a uniform belief that the Commission has been very helpful to the courts in reorganization cases. The personnel representing the Commission was found to be well informed, capable, and highly skilled. Many of the judges were impressed by and valued the Commission's comprehensive advisory reports and recommendations. The Commission was reported to be diligent in its function of protecting the rights of the various security holders, and beneficial to all parties concerned. Accordingly, the subcommittee commends the Commission for the effective and able manner with which it has carried out its duties and responsibilities under Chapter X of the Bankruptcy Act."

Current Reexamination of SEC's Functions Under Chapter X—In Conjunction with the Judicial Conference

Within the past year the Commission has found it necessary, largely because of budget considerations, to reexamine its functions under Chapter X of the Bankruptcy Act, particularly in those areas in which its participation is discretionary. In view of the obvious impact upon the workload of the Federal courts of any curtailment of the activities of the Commission in Chapter X proceedings, whether by legislation or by administrative determination, we decided to invite the views of the Federal Judiciary as an aid to the Commission's reexamination of its functions in Chapter X proceedings.

Accordingly, at the meeting of the Judicial Conference held in Washington last September, representatives of the Commission appeared and recommended that the Judicial Conference circulate to each Federal Judge in the country a questionnaire seeking specific comments upon the functions of the Commission in Chapter X proceedings. We emphasized that what we want are frank, critical comments by the Federal Judiciary upon the functions of the Commission in Chapter X proceedings, with special emphasis upon those functions which, in the view of the Federal Judiciary, the Commission appropriately could curtail without unduly increasing the burden of the Federal courts and without prejudicing the public interest. I might say that Chief Justice Warren was particularly cordial to the idea of submitting the proposed questionnaire to the Federal Judiciary and he was most helpful in arranging for the appearance of representatives of the Commission before the Judicial Conference.

After the matter was presented by Chairman Demmler and following some questions and discussion by members of the Judicial Conference, the Conference, upon motion made by Chief Judge Magruder of the Court of Appeals for the First Circuit, seconded by Chief Judge Stephens of the Court of Appeals for the District of Columbia Circuit and unanimously carried by the Judicial Conference, authorized the Director of the Administrative Office of the United States Courts to circulate the proposed questionnaire to all Federal Judges. I understand that this questionnaire is being sent to the Federal judges, together with copies of the report of the Judicial Conference, and that we may expect to receive responses to the questionnaire within the next few weeks. Such responses as are received will be tabulated, analyzed and the results will be submitted in the form of a report to the Bankruptcy Committee of the Judicial Conference. Our commission then intends to consult with the Bankruptcy Committee for the purpose of determining what administrative action, if any, the Commission may appropriately take, as well as what legislative measures possibly may be proposed, to adjust the functions of the Commission under Chapter X in the light of 16 years of practical experience, particularly as viewed by the Federal Judiciary.

This effort on the part of the Commission to reexamine its functions under Chapter X of the Bankruptcy Act is, I think, a striking illustration of effective cooperation between the Commission as an agency of the Executive Branch of the government and the Federal Judiciary.

Major Litigation in Which the Commission Is Presently Involved

Finally, I should like to comment very briefly upon several interesting cases now pending in the Federal courts in which the Commission is involved.

Reimbursement of a Parent Company by a Subsidiary for Expenses Incurred in the Reorganization of the Subsidiary Under Section 11(e) of the Holding Company Act.

Within the past year a number of cases have been decided by several of the United States Courts of Appeals which have pretty well settled the question of whether a registered parent holding company is entitled to reimbursement from its registered subsidiary holding company for expenses incurred by the parent in the reorganization of the subsidiary under Section 11(e) of the Holding Company Act. The Court of Appeals for the Third Circuit in *The United Corp. v. SEC (Public Service Corporation of New Jersey)*, and the Court of Appeals for the Eighth Circuit in *Standard Gas & Electric Co. v. SEC*, have upheld the Commission's refusal to allow such reimbursement. The Supreme

Court denied *certiorari* in each of these cases.

Substantially the same question is now pending before the Court of Appeals for the First Circuit in *Koppers Co. v. SEC* which was argued on Oct. 5, 1954, but has not yet been decided. The same question is involved in *The United Corp. v. SEC (Niagara Hudson Power Corp.)* which has been assigned for argument in the Court of Appeals for the Second Circuit on Dec. 17, 1954.

SEC v. Drexel & Co.—The Supreme Court has granted the Commission's petition for *certiorari* in this case which will be argued in the Supreme Court in February, 1955. Here the Court of Appeals for the Second Circuit reversed to Commission and held that it had no jurisdiction to pass upon a fee paid by Electric Bond and Share, a registered parent holding company, to Drexel & Co., its financial adviser, for services rendered in the reorganization of Electric Power & Light Corp., a subsidiary of Electric Bond and Share, under Section 11(e) of the Holding Company Act. The decision by the Second Circuit, in the view of the Commission, represents a direct challenge to the jurisdiction of the Commission in an important area of its functions under the Holding Company Act. For this reason we sought and obtained from the Supreme Court a writ of *certiorari*, and we hope to obtain in the Supreme Court a reversal of the Second Circuit on this question.

U. S. v. T. M. Parker Inc.—This case involves the first effort by the United States to extradite Canadian citizens under the 1952 amendment to the Canadian-United States Extradition Treaty. The amendment to the Treaty represented the culmination of many years of efforts on the part of the Commission to plug a loophole in the enforcement of the United States securities laws.

Shortly after the enactment of the Securities Act of 1933 and the Securities Exchange Act of 1934 and the creation of the Securities and Exchange Commission in 1934, there was an exodus of fringe securities operators from this country to Canada. From Canada they were able to peddle, with the aid of the telephone and the mails, securities from Canada into the United States in total disregard of the American securities laws and the regulations of our Commission. For years our Commission has been powerless to correct this situation for the reason that extradition from Canada of persons indicted for violation of the American securities laws was impossible. Extradition was impossible because the Canadian courts held that violations of the mail fraud and other anti-fraud provisions of the United States laws were not covered by the treaty.

After many years of patient negotiations between representatives of the United States Department of Justice, the United States Department of State and our Commission, on the one hand, and the appropriate Canadian officials on the other hand, agreement was reached with Canada to amend the treaty to cover these offenses. Accordingly, an amendment to the Canadian-United States Extradition Treaty was ratified in 1952, the Canadian mail fraud statute previously having been broadened by appropriate amendment. With this machinery established, we waited for an appropriate test case which was not long in appearing on the horizon in the form of *U. S. v. T. M. Parker Inc.*

During a six-week period in the late spring and early summer of 1953 a "boiler room" operation from Montreal resulted in the defrauding of a large number of American investors residing in some 40 of our states of a total of over $300,000. Many of these investors never received even so much as a scrap of paper in return for the money they sent to Montreal. Others paid 10 or 15 times more per share than the price at which the stock could have been purchased. The fraud in short was a most aggravated, vicious form of crime.

Following a thorough investigation by our Commission, the case was presented to a grand jury in the United States District Court for the Eastern District of Michigan. Indictments were returned in April, 1954 against nine American and four Canadian defendants. The American defendants were promptly apprehended and arraigned. All pleaded not guilty and were released on bail awaiting trial.

None of the Canadian defendants, however, appeared in Detroit, relying upon what for years has constituted virtually an immunity from prosecution under the United States securities laws. Accordingly, extradition proceedings were instituted and an extraordinarily competent firm of Montreal attorneys was engaged to represent the United States Government in the extradition proceedings in Canada.

After the extradition papers inched their way through the appropriate channels in this country and in Canada, they at last arrived in the Superior Court for the District of Montreal late in October of this year. Warrants were issued for the arrest of the two Canadian defendants we were able to locate. They were apprehended and have been held, without bail, in the Bordeaux Jail in Montreal while the extradition hearing has taken place.

The extradition hearing commenced on Nov. 3 before Chief Justice Scott of the Superior Court for the District of Montreal and was concluded Dec. 7, running for just about one month. This extradition hearing, although ostensibly a "preliminary inquiry" within the meaning of the Canadian law, actually took the form of a full dress trial of the Canadian defendants on the merits. Some 40 witnesses were called by the prosecution and numerous affidavits of defrauded American investors were introduced. One of the defendants took the witness stand on his own behalf.

At the conclusion of the evidence, Chief Justice Scott announced that he was satisfied that an overwhelming case of fraud has been established by the prosecution, on the basis of which he concluded that *prima facie* violations of the United States securities laws and mail fraud statute had been established, as well as violations of the Canadian counterpart of the United States statutes. The only question remaining, according to Chief Justice Scott, was one of law, namely, whether the crimes charged were within the extradition treaty and the Canadian Extradition Act. We are now awaiting the court's decision.

If extradition is granted in this case it will go a long way toward enabling our Commission to enforce the United States securities laws against those who peddle securities across our borders and in violation of our laws.

Conclusion

I trust that this discussion of some of the problems which confront our Commission, particularly in its relation to the courts, has been of interest to you. If it has served only to indicate something of the scope and magnitude of the problems with which our Commission has to deal *vis-a-vis* the courts, I shall be very happy.

F. J. Hopp Opens

CLIFTON, N. J. — Frank J. Hopp is conducting a securities business from offices at 415 South Parkway.

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No One Ever Goes Home After Winning The First Race: Coe

end trust shares at offering price is now only around 3.1%. Systematic investors who are primarily interested in yield may find such a return, before tax, somewhat less interesting than tax-exempt bonds that yield close to 3%."

We agree in principle, but not in timing. *The moment is not here.* In our opinion, we are in that portion of the cycle where the strong desire for capital gain rather than income yield has a tendency to overwhelm and disprove cold statistics—no matter how damning.

Impending Business Risks

Certainly, 1955 contains the usual business risks. A general wave of strikes, for example, could wreak havoc with corporate profits. Many important labor negotiations impend in 1955. The demand for a guaranteed annual wage could result in a long drawn out controversy, for it involves conflicts of principle that would be difficult to compromise. Even if we should be spared expensive strikes, there is internal cutthroat competition, which could impair profit margins sufficiently to reduce the level of dividends below that which we have for the present assumed to be most probable in projecting 1955 results. If we look at 1946, the reference is not farfetched—and we are not yet finished with the goblins.

For instance—and heaven forbid—should there be war, or a war emergency, then we can expect strict controls over industry, and heavier taxation would follow inevitably.

Again, quoting Value Line: "At its current price level the market overdiscounts the present, and relies upon such a perfectly *trouble-free future as has seldom developed.*"

In all noteworthy stock market booms (and we believe this is a major one which eventually will overreach itself) the very nature of the ingredients defy all classical dogma. The consistent and habitual tendency of the average individual to overemphasize, overtrade, overspeculate and overrationalize is something which the American public holds as an inalienable right and possession.

So, to repeat — "No one ever goes home after winning the first race" — having had a three-day, 5% average reaction, stocks will recover and go still higher—volume will get still bigger — and nothing can stop the momentum *because Mr. Average Security Buyer has the bit in his teeth!*

We have given half a dozen or more reasons why the stock market is very high and dangerous, why new commitments should be considered with great discrimination and judgment, and why one should be so very, very careful! Then, we demolish the straw men with one counter-argument to the effect that we are today in one of those periods which come about every 9 or 10 years, in mild fashion, and about every 27 years in uncontrollable boom psychosis, when the speculative and investing public goes overboard in its desire to make money quickly.

The first step is tasting the pudding and finding it delicious. Thereafter there develops the inevitable period of overeating—with its calamitous results.

We finish this commentary in the manner we began. Timing is so essential. Before reaching the "getting out" period, we expect to see brokers loans increase by at least another billion dollars—expect odd lot figures to show a long period of "buying on balance" rather than the "selling on balance" which took place all of November and December, 1954. We expect margin requirements to go still higher, without marked price effect—expect higher money rates—a rash of new issues—mergers—stock splits—increased capitalizations and strong propaganda of a new yardstick—permanent plateau of high prices. If the cycle works on time as it has since 1900, the red flags should begin waving during the last six months of 1956.

New World Trade Agency Advocated

Louis H. Pink, Chairman of the Citizens Conference on International Economic Union, submits to the President and Congress a proposed new foreign economic policy.

The United States, in a documented release on Jan. 10, was urged to establish with United Nations support a new world trade agency open to all nations as part of a broad program of greater economic cooperation between us and our allies and greater economic tolerance between the East and the West.

Louis H. Pink

The details of the proposed foreign economic policy which have been submitted to the President and the members of the 84th Congress were made public by Louis H. Pink, Chairman of the Citizens Conference on International Economic Union, of New York. Mr. Pink is former Superintendent of Insurance of New York State and recently retired as head of New York Blue Cross.

The Citizens Conference urged the Congress to take steps to encourage the expansion of the total volume of world and United States exports and imports by removing unnecessary tariff barriers and cumbersome custom regulations and procedures. It called for the removal of unnecessary restrictions on East and West trade, for a worldwide conference on international trade under United Nations sponsorship and for the continuance of our financial and technical aid to other nations.

Pointing out that the United States can share in the world's growth as we participate fully in multilateral trade, Mr. Pink's group said that the United Nations should be the vehicle to strengthen cooperation and build tolerance in the economic field. It said that the International Bank for Reconstruction and Development and the International Monetary Fund cannot do this job alone and that a world trade agency, sponsored by the United States and effectively coordinated with these two bodies is essential.

"The failure of the proposed International Trade Organization, sponsored originally by the United States, left a void," the conference said. "The need for multilateral trade was so obvious that the GATT (General Agreement on Tariffs and Trade), an international body which the United States and 33 other countries joined during the period when the Charter of the ITO was undergoing ratification, was retained. The GATT, though useful, is an emergency agency without adequate power and its membership does not include a sufficient number of nations of the East and West.

"While we fully approve the efforts in Geneva to strengthen the GATT, we think that this emergency agency should be merged into a world trade agency which enjoys the official backing of both the United Nations and the various governments. Such a merger would mean that the achievements of the GATT are preserved while at the same time a more adequate and effective vehicle for encouraging multilateral trade is created. A world trade agency, affiliated with the United Nations, would give the United Nations no control over United States trade and tariff policies. As in the case of the **Bank** and the **Fund**, the sovereignty of member nations would be safeguarded while an effective voluntary agreement for the common good would be encouraged.

"While the regional economic commissions affiliated with the United Nations which now exist for Europe, Latin America, Asia and the Far East are useful and to be commended, they, like the GATT, need to be coordinated in order to achieve an over-all program.

"The inability of many leading nations to restore convertibility of their currencies is due, in large part, to the continued existence of trade barriers, such as tariffs, import quotas, and foreign exchange restrictions. If the United States were to take the initiative in a more liberal trade and tariff policy, an important step forward toward currency convertibility would be achieved."

Bankers Offer Stylon Corp. Common Stock

Offering of 250,000 shares of $1 par value common stock of Stylon Corporation is being made by Gearhart & Otis, Inc., McCoy & Willard, and White & Co. The stock is priced at the market.

These shares are being sold for the account of Joseph Mass, President and a director of the company, who will still own 363,531 shares or 25.5% of the company's outstanding stock after this sale is completed. No proceeds from the sale will accrue to the company.

Stylon Corp. and its wholly-owned subsidiary, Stylon Southern Corp., are presently engaged in the manufacture and sale of glazed clay wall tiles and ceramic floor tiles and in distributing other products, such as imported clay tiles, plastic tiles and bathroom accessories. Its products are distributed principally in the United States, east of the Rocky Mountains.

The company estimates that it is producing in excess of 5% of current tile production in this country. Based upon sales for the first nine months of 1954, the management believes it would rank among the top 10 companies in the industry.

Moors & Cabot Admits

BOSTON, Mass.—As of Jan. 13, Austin K. Smithwick became a partner in Moors & Cabot, 111 Devonshire Street, members of the New York and Boston Stock Exchanges.

W. C. Roney Admits

DETROIT, Mich. — On Jan. 17 Jack V. Fish of Saginaw, William F. O'Bryon of Grand Rapids, and William C. Roney, Jr., will become partners in Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

L. A. Mathey Admits

L. A. Mathey & Co., 120 Broadway, New York City, members of the American Stock Exchange, have admitted Bernard McAteer to partnership.

Continued from first page

As We See It

from the White House. It is evident enough, though, even at this stage that this is even more generally and even more basically a New Dealish sort of program than have been those which have heretofore come from the Eisenhower Administration.

Never Really Anti-New Deal

Of course, it has been true from the very beginning that this Administration had no idea of making any serious attempt to get this country back on the road it had traveled from the beginning until 1933. Some pious denunciations of "creeping socialism" have from time to time come from the lips of the President, and certain steps against the more extreme forms of New Dealism and Fair Dealism have been taken from time to time. By and large the affairs of the nation appear to be administered with greater competence than was the rule during the regimes of Messrs. Roosevelt and Truman, but at most the Republican regime now in office for two years can boast only of some moderation of extremist positions and in general of rather more efficient implementation of New Deal and Fair Deal ideas.

What is more, the drift through the months has been in the direction of the philosophy of the Roosevelt and Truman regimes. There is still, apparently, a serious effort to eliminate waste and bring an end to extravagance in the conduct of public affairs. It still appears that the cost of various programs is at least considered in evolving a set of working plans. But the balanced budget idea so much to the fore in the earlier months of the Eisenhower Administration seems to have been reduced to a definitely lower place in the thinking of the powers that be. Once in a while, it is true, some one has something to say about a balanced budget, but it is now a sort of far-off divine event toward which one piously hopes the whole creation moves.

Among citizens who would like to see government begin a steady withdrawal from creeping socialism, the President has won considerable praise for his stand on the TVA. Yet he now comes forward with a renewal of an old demand that the nation push forward with other projects of a broadly similar sort. He is prepared to resist efforts of the Democratic party to re-establish the enormously costly farm aid program devised and instituted by the Truman regime, but there is nothing whatever to suggest that he is prepared to begin to dismantle his own farm program which is costing the nation directly or indirectly almost incalculable sums.

The nation has devoted many billions of dollars either in outright expenditure or in thea ssumption of contingent liabilities in the interest of more housing—at the same time that it (along with local governments) has pursued policies which have deterred and are deterring private funds from flowing into housing in a normal way to meet whatever demand there is for housing at prices which cover costs. With all this, however, he is not satisfied. He again urges action which would put the Federal Government still further in the business of housing throughout the land. Creeping socialism, this, it seems to us fully as much as TVA! Socialized medicine the President is not ready to espouse—at least not those measures which he thinks of as socialized medicine—but demand by those who want to get on with the New Deal and Fair Deal programs is not overlooked. The President again urges adoption of his plan for subsidy to existing organizations designed to supply health insurance.

Promoting New Deal Measures

In the field of international economic relations the President has all along been apparently eager to carry forward the plans of the Fair Deal Administration which preceded him. Possibly here and there he may have entertained ideas somewhat more progressive or positive than that. He again asks about the same thing of Congress. The fact is, though, that neither President Roosevelt nor President Truman ever developed any notion remotely the equivalent of a return to what we may term middle-of-the-road action in this field. Not only were they rather hopelessly enamored of the idea of "negotiating" bit by bit a new set of restrictions, but repeatedly demonstrated utter unwillingness to take those steps in the broad field of domestic policy which alone would make a really normal international flow of goods and of capital feasible or practicable. Certainly there is little evidence that the President's thinking has advanced beyond the point he reached two years ago—which was not basically different from that of his predecessors.

The feeling is abroad in the land that this Administration is much more friendly toward business than those of Roosevelt and Truman. In a sense there is probably warrant for this impression. The fact is, though, that a real friend of American business would go to work vigorously to strike off the shackles which have been placed upon the hands of businessmen, and would certainly refrain from public policies which tend to stimuulate the rise of conditions which make the operation of a business extraordinarily hazardous.

Evidence of this real type of friendliness is not abundant.

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Securities Regulations in a Free Enterprise Economy

great fortunes and of great industrial and financial power by a comparatively few stimulated controversy and demand for more Federal control, there were serious discussions of Federal incorporation of companies in interstate commerce and of Federal licensing. In the early part of the century an Industrial Commission created by the Congress recommended Federal incorporation and suggested that corporations should be required to publish information about themselves and their promoters in the raising of capital and to furnish financial reports to their stockholders.

I mention those facts to indicate first that the type of Federal regulation which we now have is not the exclusive intellectual property of the early New Deal and to make the point that the same kind of medicine which was suggested to cure the growing pains of a cantankerous economy near the turn of the century was in fact prescribed to cure the moribund economy of the 1930's.

Importance of Successful Operation of Securities Regulation

But the successful operation of our scheme of securities regulation is enormously important to the economic health of America. The economic activity which the country now enjoys is sustained in significant measure by the large and continuing flow of investment capital into industry. It is also sustained, of course, by the reinvestment of monies generated by corporations from internal sources. In the six years, 1934 through 1939, the amount of money devoted by corporations to plant and capital expenditures aggregated $25 billion. In 1953 alone American industry placed over $28 billion into new plants and facilities, and the indication for 1954 is about $27 billion. In 1934 offerings, public and private, of corporate securities came to about $4 hundred million. In 1939, the corresponding figure was about $2.2 billion. In 1953 the amount was almost $9 billion and the indication for 1954 is about $9.3 billion. The use of depreciation reserves and retained earnings accounted for approximately $19½ billion of the plant and facilities expenditures in 1953 and about the same in 1954.

I use these few statistics to indicate the enormity of expenditures required to keep American private enterprise growing as well as to point out the enormity of the increase in such expenditures over what they were 20 years ago. But more than that, these statistics are indicative of the importance of maintaining public confidence both in the integrity of our capital markets and the integrity of the management of American private enterprise. The collapse of confidence in our capital markets could stem the flow of new capital into our economy. The collapse of confidence in the integrity of management in the administration of capital entrusted to it could stir rebellion against retention of earnings for reinvestment in the growth of business.

The Securities Act of 1933 and the Securities Exchange Act of 1934 are the two statutes administered by the Securities and Exchange Commission, which have the broadest applicability to corporate business generally. I have already given a general indication of the coverage of those Acts, but let me go a little further in discussing the philosophy which underlies them.

The Securities Act is based on the doctrine that the role of the Federal Government in policing the public offering of securities is to require issuers of securities to give the investor the facts and to give the investor a remedy in case of fraud. It does not provide for the Commission to approve securities issues.

The good result produced by the Securities Act came in great measure from the fact that the issuer and the underwriter must come forward and make a public statement concerning the issuer's business, its finances, its securities, and the proposed offering, and all of this under stern statutory liabilities both penal and civil. The imposition of liability for inaccurate and incomplete information and the administrative processing by the Commission of material filed with it have improved corporate morality, accounting standards, and standards relating to business information generally.

No one contends that every investor reads the prospectus any more than all people covered by insurance read their policies. Nevertheless a disclosure statute accomplishes two things in addition to getting through, at least to some investors, the information set forth in the registration statement. First, the very fact that transactions of a suspect character must be disclosed probably prevents many such transactions from ever taking place. Second, while prospectuses and reports may not be read by many investors, they are read by analysts and other specialists through whom the information is disseminated and whose appraisal contributes to the fixing of a market price more nearly fair than would be fixed if the information were not available.

This concept of disclosure as the basic protective technique is typically in accordance with American tradition. It represents an application to the financial markets of the basic American principle: "Give the people the facts and let them decide for themselves."

The Securities Exchange Act in turn is designed to provide investors in listed securities with a continuing flow of information. That Act also, as I indicated before, relates to activities on the exchanges and the over-the-counter market, for registration of brokers and dealers, trading by persons having access to inside information, and solicitation of proxies for meeting of listed companies.

Thus, generally speaking, the Securities Act is directed to the protection of the investor before he makes his investment, and the Securities Exchange Act provides certain protection to the investor after he has made his investment. It must be borne in mind, of course, that the matter of Federal securities regulation is only a small part of the disciplines which are applied to corporate enterprise. State statutes, both corporation laws and blue sky laws, and stock exchange regulations, are all components of this highly complex picture. We must guard against ever permitting that complexity to stifle the growth of the American economy. The capital required for that growth must flow not only into big business but into smaller business. If the various elements of the economy grow too unevenly, we get into the numerous problems and controversies created by concentration of economic power.

Big business knows its way to the capital markets. Smaller busines (I am speaking relatively; I don't know where to draw the line between "big" and "small") is not quite so sophisticated on the subject. For example, the Federal Small Business Administration gets many applications for loans from businesses which should be seeking equity capital from public investors. Too many people lack competent advice on the subject and conclude mistakenly that compliance with the securities laws presents an impossible hurdle.

Obligation and Opportunity of Securities Dealers

Speaking frankly, there is both an obligation and an opportunity for securities dealers, for accountants and for lawyers to acquire more know-how in the field of capital formation so that they can better serve their clients. Businesses seeking capital need advice on choosing alternatives. Since one of those alternatives is the public market, they need advice on the financial problems, the selling problems, the legal problems and the accounting problems involved in a public offering registered or exempt under Federal securities laws. Too many people seem to feel that it is necessary to go to one of the very largest financial centers for that kind of help.

Our Commission is trying to achieve greater public knowledge of its requirements. We are getting into the hands of all offices of the Small Business Administration around the country copies of our releases and forms relating to the more usual financing. We are providing Small Business Administration personnel with memoranda on equity financing under the Federal securities laws. Copies of the SEC releases on private offerings and the intra-state exemption are being made available. It is contemplated that the Small Business Administration will include a publication on the work of the SEC in its Management Aid Series. Furthermore, our staff will be available to participate in Small Business Administration's business clinics.

We are trying at the Commission to eliminate useless red tape, but complexity cannot be eliminated from something that is complex by nature.

You may think that more widely disseminated know-how about compliance with securities laws is a microscopic stimulant to the economy. If that is what you do think, I respectfully disagree. The securities laws are here to stay. They have improved the morality of our processes of raising capital and they increase public confidence in our capital markets. As knowledge of the requirements of those laws becomes more wide-

spread; as the techniques of compliance become more generally known, more businesses in need of capital will resort to the public capital markets. The first registration statement is a hard job. The first public disclosure of corporate affairs involves a break in habit patterns, but thousands have survived the experience.

If our major premise is correct —that the savings of the people reinvested in the economy keep the economy growing and continuously raise the general standard of living—then it is obvious that we need in all parts of the country people familiar with the processes of capital formation and the laws which regulate those processes. American business and American industry is scattered all over the country. American national wealth is broadly diffused. We need mechanics where the machines are located.

The wide dissemination among literally millions of Americans of skill and knowledge in fields of science and technology doubtlessly account for much of the progress which this nation has made. It is accountable in considerable measure not only for our defensive strength but for the character of our economy and our national standard of living. Our rivals on the other side of the iron curtain and the bamboo curtain are building up great bodies of people trained in engineering and technical skills.

Competence Needed in Processes of Business Financing

I think, in terms of importance to our economy, there is a fair analogy between technical competence in scientific matters and technical competence in the processes of financing our business enterprises, large and small.

To the extent that real competence in the field of capital formation—as distinguished from competence in investment analysis or salesmanship—is confined to too few people, it tends to become a kind of priestcraft or esoteric art. Management today has a duty to keep informed of the growing list of alternative methods to provide capital and the legal problems and requirements which they involve.

Government becomes a supplier of capital to private business to finance great defense programs, or to fill needs which arise when private enterprise fails either through lack of confidence or inertia. Financing defense production is a case by itself which I shall not discuss. Lack of confidence is a symbol which is beyond the scope of even this rambling discussion. To the extent that public financing of private business is brought about by the inertia of any segment of our private economic organization, private enterprise must assume its share of the blame.

What I have tried to do in my remarks is to give a general summary of the nature of Federal securities regulation and the rationale behind it. I have presented what I believe is a well-founded prophecy that such regulation is here to stay. That being so, I have suggested the importance of a more broadly disseminated know-how in the field of capital formation.

Each of us, I think, has an obligation to apply a bellows to the fire of his enthusiasm to use and improve his talents toward the strengthening of our American economy and of America itself. The mobilized talent of Americans is still the greatest single human force in the world. But it will remain so only so long as we preserve our vision and our vigor.

Real Estate Assoc.

JERSEY CITY, N. J.—Real Estate Associates Plan, Inc. has been formed with offices at 14 Journal Square to engage in a securities business. Earle Buck is a principal.

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The State of Trade and Industry

20.1% was Chrysler Corp., despite the lack of Saturday operations at Plymouth and Chrysler divisions, with Ford Motor Co. garnering 27.8%.

Ford and Chevrolet last week scheduled virtually equal car output, with Ford working all of its 16 assembly plants on Saturday. Meantime, all of the Independent car makers were in production excepting Kaiser.

Steel Output Continues To Gain In Current Week

The steel industry is optimistic about the future, says "Steel," the weekly magazine of metalworking the current week. It increased its capacity again; it's continuing to modernize its plant and it's studying scores of new steels and applications.

The capacity increase is 1,497,900 net tons of ingots and castings over that of a year ago. On Jan. 1, 1954, the annual ingot capacity was a record 124,330,410 tons. Now the record is 125,828,310 tons, the American Iron & Steel Institute reports. The latest increase marks the eight consecutive year of expansion. While the increase is not as large as that of any of the preceding seven years, it is remarkable that it approximatel 1,500,000 tons when you consider capacity rose 6,500,000 tons in the preceding year and 9,000,000 tons in the year before that.

To support the increased steelmaking capacity, the industry boosted its blast furnace capacity 1,969,710 net tons in the last year. Now the annual blast furnace capacity is a record 83,971,000 tons, the Institute says. To fuel its blast furnaces, the steel industry expanded its coke capacity to 72,684,750 net tons a year. The iron and steel industry now can make 95% of the coke it needs.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity of the entire industry will be at an average of 81.8% of capacity for the week beginning Jan. 10, 1955, equivalent to 1,975,000 tons of ingots and steel for castings as compared with 81.2% (revised) and 1,960,000 tons a week ago.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 81.8% and production 1,950,000 tons. A year ago the actual weekly production was placed at 1,772,000 tons or 74.3%. The operating rate is not comparable because capacity was lower than capacity in 1955. The percentage figures for 1954 are based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

Electric Output Moves Upward the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 8, 1955, was estimated at 9,833,000,000 kwh., according to the Edison Electric Institute.

This week's output constituted a gain of 408,000,000 kwh. above that of the previous week, when the actual output stood at 9,425,000,000 kwh., and an increase of 1,008,000,000 kwh., or 11.4% over the comparable 1954 week and 1,623,000,000 kwh. over the like week in 1953.

Car Holdings Fall 5.6% Under Previous Week

Loadings of revenue freight for the week ended Jan. 1, 1955, which included New Year's Day holiday, decreased 31,627 cars or 5.6% below the preceding week, which included Christmas Day, according to the Association of American Railroads.

Loadings totaled 529,452 cars, an increase of 51,647 cars or 10.8% above the corresponding 1954 week, but a decrease of 33,505 cars or 6% below the corresponding week in 1953, both of which also included the holiday.

U. S. Auto Output In First Week Approaches 84-Week Record Set In Mid-December

The automotive industry for the latest week, ended Jan. 7, 1955, according to "Ward's Automotive Reports," assembled an estimated 152,221 cars, compared with 124,250 (revised) in the previous week. The past week's production total of cars and trucks amounted to 173,481 units, a increase above the preceding week's output of 31,097 units and it tied the 84-week record of 173,833 units set in Mid-December, states "Ward's." In the like week of 1953 143,431 units were turned out.

Last week, the agency reported there were 21,260 trucks made in this country, as against 18,134 (revised) in the previous week and 25,226 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 6,110 cars and 710 trucks last week, against 5,264 cars and 788 trucks in the preceding week and 7,417 cars and 1,570 trucks in the comparable 1953 week.

Business Failures Rise In First Week of New Year

Commercial and industrial failures increased to 198 in the week ended Jan. 6 from 152 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this rise, casualties were slightly below a year ago when 202 occurred but remained considerably above the 1953 total of 163. However, failures were down 37% from the 312 recorded in the initial week of pre-war 1939.

Failures with liabilities of $5,000 or more climbed to 174 from 127 last week, but did not quite reach the 177 in the similar 1954 week. Small casualties, those involving liabilities under $5,000, dipped to 24 from 25, which was the total both in the previous week and a year ago. Failures with liabilities in excess of $100,000 increased to 17 from 11 last week.

Wholesale Food Price Level Shows Moderate Drop In Latest Week

Foodstuffs trended downward in the first week of the new year. The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell moderately to $6.75 as of Jan. 4, from the previous level of $6.78. It compared with $6.85 on the corresponding date a year ago, or a drop of 1.5%.

Higher in wholesale price last week were rye, barley, lard, sugar, cottonseed oil, cocoa and eggs. Lower were flour, wheat, corn, oats, bellies, butter, milk, coffee, steers, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Slightly Depressed the Past Week

The general commodity price level scored a slight dip last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fell to 278.61 on Jan. 4, from the 1954 high of 279.82 registered a week earlier. At this time a year ago the index stood at 273.92.

Grain price movements were somewhat mixed the past week but the general undertone in most grains was firm. Wheat fluctuated in a narrow range. Early strength in the bread cereal was influenced by the belief that the main drought areas of the Southwest had received only insignificant relief, but later reports indicating the receipt of additional moisture, caused a mild setback.

Although foreign demand for both wheat and flour was small, traders were hopeful of a heavy export business this month.

Receipts of corn in the cash market were light and prices showed little change for the week. Activity in rye was light. Prices were irregular with the market showing considerable independent strength at times. Oats receipts were about on a par with a week previous, with prices trending irregularly lower.

Butter markets showed considerable weakness. Spot prices declined sharply toward the close of the week under curtailed trade support and increasing selling pressure.

Cocoa values turned moderately upward the past week following several weeks of declining prices. Contributing to the advance were dealer buying and short covering and more active buying of cocoa from leading producer countries. Warehouse stocks of cocoa were down slightly and totalled 101,144 bags, comparing with 102,077 a week previous and 64,127 bags a year ago. Coffee prices trended downward in slow trading with roasters continuing their cautious buying policies as the new year started. Liberal receipts of hogs last week resulted in new low prices since December, 1952. Prices for steers and lambs also trended lower.

Spot cotton prices held in a narrow range and closed slightly below a week ago. Weakness was attributed to profit-taking attracted by recent advances, tax selling and a continued decline in loan entries.

Helping to sustain values were price-fixing and short covering, more favorable reports from textile markets, and a continuing increase in export sales.

CCC loan entries in the week ended Dec. 24 declined sharply to 81,000 bales, from 129,000 the previous week and were the smallest for any week since mid-October. Total loan entries for the season through Dec. 24 amounted to 1,725,000 bales. Repossessions totalled 107,000 bales, leaving a net stock in the loan of 1,618,000 bales.

Trade Volume Dips Below Previous Week But Holds Unchanged From Level of Year Ago

Many retailers used clearance events and easier credit terms to bring shoppers into their stores in the period ended on Wednesday of last week, but the total volume of trade was below that of the preceding week and unchanged from the corresponding week a year ago.

This yearly comparison was misleading, however, since New Year's Day fell on a Saturday, when a great deal of shopping normally would have occurred. Merchants were confident that sales would increase and were replenishing their stocks accordingly.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 2% below to 2% above the level of a year ago. Regional estimates varied from the corresponding levels last year by the following percentages: Midwest —2 to —6; East —1 to —5; New England —3 to +1; Northwest, Southwest and Pacific Coast +1 to +5; South +2 to +6.

While last week's apparel sales were considerably below the high volume reached before Christmas, most stores reported better demand than both the previous week and a year ago. Returns of holiday gifts were fewer than in 1954. Women's coats and dresses sold at last year's level, while lingeries and resort wear were more popular than a year ago.

Business optimism and seasonal factors contributed to an improvement in the volume of wholesale trade in the period ended on Wednesday of last week.

Although gains were widespread, the buying of hard goods rose more noticeably than trade in soft goods.

Orders were at a slightly higher level than in both the previous week and the corresponding period a year ago.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 1, 1955 declined 1% from the like period last year. In the preceding week, Dec. 25,* 1954, an increase of 17% (revised) was registered from that of the similar period in 1953, and for the four weeks ended Jan. 1, 1955, an increase of 6% was recorded. For the year 1954 a loss of 1% was registered below that of 1953.

Retail trade volume in New York City the past week, according to trade observers, declined from 4% to 6% below the volume of a year ago due to a reaction following the heavy retail selling in November and December.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 1, 1955, registered a decrease of 3% below the like period of last year. In the preceding week, Dec. 25,* 1954, an increase of 17% (revised) was reported from that of the similar week in 1953; while for the four weeks ended Jan. 1, 1955, an increase of 5% was reported. For the year 1954 the index advanced 1% from that of 1953.

*The large increases shown for this week reflect in part the fact that this year Christmas fell on Saturday and the week therefore included five days of heavy pre-Christmas shopping as compared with four days last year when Christmas fell on Friday.

Mutual Funds

By ROBERT R. RICH

AT THE CONCLUSION of its 60th anniversary year, Calvin Bullock reports that the assets of the six investment companies under Bullock management totaled $325 million, compared with $235 million on Dec. 31, 1953, according to Hugh Bullock, President.

Sales of the five open-end funds in 1954 showed an increase of 23% over the preceding year.

Sales of Dividend Shares, largest of the Calvin Bullock managed funds, increased 30% in the year.

Purchases on a periodic basis of Bullock managed funds were larger than any previous year. New periodic plans opened in 1954 for the purchase of Dividend Shares showed an increase of 50%.

Investment companies under the management of the 60-year-old Bullock firm, with assets at Dec. 31, 1954, are: Dividend Shares ($170 million); Canadian Investment Fund, Ltd. ($64 million); Canadian Fund, Inc. ($31 million); Nation-Wide Securities Co. ($24 million); Bullock Fund Ltd. ($22 million), and Carriers General Corp. ($14 million).

GROSS SALES of Wellington Fund for the year amounted to $63,800,000, up 18.7% over its gross sales of $53,740,000 in 1953. These sales do not include dividends reinvested by shareholders.

New money invested in Wellington in 1954, combined with substantial market apprecíation of securities in the portfolio, boosted the fund's total assets at the close of the year above the $400 million mark for the first time in its history.

WADDELL & REED, Inc., Kansas City, Mo., principal underwriters for the United Funds' group of mutual funds — United Income, United Accumulative, United Science and United Continental— has been named principal underwriter for United Funds Canada Ltd. The Canadian fund, which was initially offered in August, 1954, currently has assets of more than $7,000,000.

SELECTED AMERICAN Shares declared a capital gain distribution of $1.00 a share from profits realized in the year 1954, payable Jan. 28, 1955, to shareholders of record Jan. 10.

This compares with 45 cents a share paid in December, 1953. Dividends from income totaled 58 cents a share in both 1954 and 1953.

Assets of Selected American at Dec. 31, 1954, were $39,551,859, equal to $17.76 a share, compared with $27,031,462, or $12.88 a share at Dec. 31, 1953.

DELAWARE FUND has completed the sale of its position in Swift & Company and Northwest Airlines Preferred. Among other purchases, it has acquired a position in U. S. Potash, and added to a number of other securities already in the account.

The sale of the Northwest Airlines was for the purpose of realizing on the remarkable rise in price which the airline investments have experienced in the past two months. Northwest was purchased as a good income source, with a possibility of appreciation because of its convertibility; the appreciation came about but, as a result, the income on its present price has dropped to less than 4½%, which no longer justified the holding.

Swift & Company experienced a year of low volume in the pork department, the biggest single source of revenue, and as a consequence the dividend, which is usually set for the whole year at the meeting in January or February, is not likely to be generous, the Fund reasons. If there is a larger movement of animals to market in 1955, its results won't be visible for some months, the Delaware management believes and in the meanwhile the stock seems to have little chance of appreciation.

INSTITUTIONAL SHARES, Ltd., sponsors of three general and two single industry mutual funds, reports net assets of $20,566,770 on Dec. 31, 1954. This compares with net assets of $10,019,031 a year earlier, a gain of 105.3%.

Net asset value of the Institutional Growth Fund increased during the year to $20.39 a share from $13.65 a share, a gain of 55.3%.

Net asset value of the company's Foundation Fund increased during the year to $20.45 a share, compared with $15.50 on Dec. 31, 1953, a gain of 38.2%. The three other funds also registered substantial gains in asset value during the year. Institutional Shares are sponsored by Hare's Ltd.

SOVEREIGN INVESTORS, reporting as of Dec. 31, 1954, shows record high figures in total net assets, number of stockholders and shares outstanding. Assets were $1,217,933.51 compared with $748,-813.38 Jan. 1, 1954, or a net gain of more than 62% for the year.

The net asset value per share increased from $7.79 per share on Jan. 1, 1954, to $10.98 Dec. 31, 1955, an increase of 40.9%. The fund continues to have approximately 90% of its invested funds in common stocks.

NATURAL RESOURCES Fund, Inc. has made further progress in 1954, both net assets per share and net assets showing gains over the previous year, Frank L. Valenta, President, announced in a statement accompanying the annual report for the fiscal year ended Nov. 30, 1954.

Net assets of the Fund per share on Jan. 3, were $5.43, representing an increase of 37.5% over the $3.95 on Nov. 30, 1953, while the net assets per share of $5.03 on Nov. 30, 1954, represented an increase of 27% over the 1953 fiscal year. The gain per share was recorded despite the payment of 17 cents from net investment income and 23 cents from security profits during the fiscal year.

Net assets of Natural Resources Fund on Jan 3 were $3,939,540, a gain of 9.3% over the $3,604,493 on Nov. 30, 1953. Net assets at the close of Nov. 30, 1954, fiscal year were $3,913,524.

Mr. Valenta predicted that the use of many natural resource products will show a substantial increase in 1955 over 1954. He added that this means there will be a heavier consumption of such basic materials as natural gas, copper, aluminum, titanium, lumber and iron ore among others.

TOTAL NET assets of Financial Industrial Fund, Inc., at the end of the quarter, Nov. 30, 1954, reached $28.9 million compared with $16.2 million a year earlier.

Chemical securities comprised the largest segment of the Fund's investments, accounting for 16.8% of total net assets. Other large holdings by industry include: oil and natural gas, 12.1%; industrial and business equipment, 9.4%; transportation, 8.3%; and automotive, 6.9%.

TOTAL NET assets at market

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National Assets At $224 Million

Net assets of National Securities Series, in the year ending Dec. 31, 1954, increased $90,925,729 to a new peak of $224,414,541, compared to $133,488,812 on Dec. 31, 1953, according to figures released by Henry J. Simonson, Jr., President, National Securities & Research Corporation, managers and sponsors of the funds.

Shares outstanding amounted to 33,310,332 on Dec. 31 last, compared with 27,890,-432 at the close of 1953. Shareowners increased to 89,051 on Dec. 31, 1954, from 76,579 a year earlier.

In commenting on the increase in assets Mr.. Simonson said it was accounted for by record high sales of shares in 1954 aided by substantial price appreciation in portfolio securities.

Personal Progress

NATIONAL SECURITIES & Research Corporation announced the appointment of Robert Colton as Manager of its new Atomic & Electronics Division.

Mr. Colton, who has been serving as an independent consultant in the development of various civilian and military products in the chemical, electronics and nucleonic fields, received his chemical engineering degree from New York University College of Engineering. His work at Columbia University in 1942 was under the direction of the Office of Scientific Research and Development, and involved basic research and development on the government's Atomic Energy project.

From 1943 to 1946 Mr. Colton was associated with the Kellex Corporation Atomic Energy project and for the next six years was a division engineer with P. R. Mallory & Co., engaged in scientific activities.

In making the announcement, H. J. Simonson, Jr., National Securities President, said Mr. Colton "will give his full time to the study of atomic and electronic activities of the various corporations whose securities are in the portfolios or on the eligible lists of Growth Stocks Series and the other National Securities Series."

He also will work with the scientific staff of Nuclear Consultants, Inc., recently retained by the corporation as Scientific Consultant and Technical Adviser in the atomic and electronics fields.

"This step was taken," Mr. Simonson explained, "as a means of keeping our investment management staff fully conversant with current and future developments in the nucleonic and electronic fields, so that the long and short term potential of such activities may be appraised from an investment viewpoint."

CLOSED-END NEWS:

Equity Corp. Subsidiary to Buy 631,715 Shares of Niles-Bement

In a joint announcement yesterday, managements of The Equity Corporation, Bell Aircraft Corporation, and Niles-Bement-Pond Company revealed that a contract had been entered into for the sale of 631,715 shares of Niles-Bement-Pond Voting Common Stock to Belco General Corporation, a subsidiary of The Equity Corporation.

The contract provides either that Belco will pay cash and deliver 1,020,000 shares of Bell Aircraft Common Stock in payment for the Niles-Bement-Pond shares or that Bell Aircraft Corporation may acquire the Niles-Bement-Pond shares by issuing its authorized but unissued shares plus cash in lieu of the Bell stock held by Belco. The Equity Corporation, for some years, has owned a controlling interest in Bell Aircraft.

Following preliminary examinations of the operations of Bell Aircraft and Niles-Bement-Pond, the directors of those two corporations are studying plans for taking full advantage of the technical, engineering and production capabilities of both companies.

Bell Aircraft occupies a leading position in guided missiles, electronics, rocket engines and helicopters, and has developed and built three of the country's research airplanes including the Bel X-1A, which presently holds the world's speed and altitude records.

Niles-Bement-Pond's Chandler-Evans Division is a leading manufacturer of fuel pumps, fuel controls, and other accessories for jet engines.

It is expected that Bell's experience in the electronics and servo-mechanisms fields together with Niles-Bement-Pond's Pratt & Whitney line of machine tools, can constitute a strong combination in the growingly important field of machine automation.

Plans under study by the two companies is a further step in the policy of expansion and diversification which both Bell and Niles-Bement-Pond have been pursuing for the past several years.

Bell Aircraft acquired the W. J. Schoenberger Company of Cleveland, Ohio, manufacturer of gas valves and fittings more than six years ago, and last year acquired the American Wheelabrator & Equipment Corporation of Mishawaka, Ind., manufacturer of abrasive blasting equipment and dust and fume control devices. Bell also acquired, late in 1954, Hydraulic Research and Manufacturing Company of Burbank, Calif., designers and producers of hydraulic and servo-mechanism systems and components for aircraft and guided missile.

Niles-Bement-Pond's Pratt & Whitney Division was started during the Civil War and is one of the country's leading manufacturers of high precision machine tools, cutting tools and gauges. Potter & Johnston Company, a wholly owned subsidiary acquired in 1947, produces automatic chucking machines, and turret lathes.

Headquarters of Bell Aircraft are in Buffalo, N. Y., with its Helicopter Division located at Fort Worth, Tex. Headquarters of Niles-Bement-Pond, together with its Pratt & Whitney and Chandler-Evans Divisions are in Hartford, Conn.

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Capital Gains Not a Return of Original Capital

had been tremendous. Equally interesting is the record of 14 industrial companies:

Company—	% of earnings reinvested 1939-1953 inclusive	Market increase same period
Allied Chem. & Dye Corp.	26.71	52
American Can Co.	49.18	40
Amer. Smelting & Ref. Co.	88.14	71
Bethlehem Steel Co.	158.70	100
Chrysler Corporation	81.63	110
Coca Cola Corporation	24.01	— 2.5
Eastman Kodak Co.	43.85	84
General Motors Corp.	57.23	165
Goodyear Tire & Rub. Co.	206.96	244
Internat. Harvester Co.	63.88	47.4
P. Lorillard Co.	37.87	20
Montgomery Ward & Co.	98.66	23
Standard Oil Co., N. J.	101.93	218
United States Steel Co.	94.67	83
Average all Companies	81.38	90.3

The market increase of this group of Industrials was slightly more than the reinvestment. Even so, substantially all of the capital gains that could have been realized by a sale in 1953 would have been accounted for as delayed income. There is another possible explanation for the market value exceeding the reinvestment. The list includes two well known companies with abnormal increases. They are General Motors Co. and Standard Oil of New Jersey. Without a doubt some if not all of the extreme rise that took place in these two stocks resulted from the fact that they are very well known and the better known stocks are a natural target for the uninformed investors who buy names rather than values.

Even a short list such as this, shows that there are numerous cases of individual stocks wherein an investor might be getting back capital instead of income through a sale of the stock but the entire group of 24 averaged out almost equal to the reinvestment of earnings.

A much more interesting comparison is to note the realized capital gains paid out as dividends by investment companies in recent years as compared with the reinvestment of earnings of the 24 aforementioned companies in the same years:

Capital Gains Dividends of Leading Investment Companies
—Percentage of Asset Value at Beginning of Year—

Year End. March 31	Co. A	Co. B	Co. C	Co. D	Co. E	Co F
1947	2.8	3.7	4.8	1.3	14	4.0
1948	--	1.8	1.3	.5	--	1
1949	--	--	3.3	.25	--	--
1950	3.1	.6	.7	.05	--	--
1951	4	2.6	1.8	1	3.5	3.7
1952	2.8	2.4	3	3.5	5.6	3.5
1953	2.5	1.6	2.1	2	2	3.7
1954	--	1.6	.5	1.6	1.6	2.2
Total %	15.2	14.3	17.5	10.2	26.7	18.1

In the same period of time the previous list of Industrial Stocks reinvested 54.92%, the Rails 72.8%, the Utilities 11.13% and the composite reinvestment of the whole group was 49.87%.

This comparison of realized capital gains of six investment companies with the plowback of earnings of 24 selected companies is not entirely conclusive because these selected stocks do not represent the exact portfolio of any of them, but it is quite obvious that these particular Funds are not dissipating their capital because of the realization of excessive capital gains.

In the case of individual stocks it is true that cases of dissipation of capital might occur due to the fact that an individual stock can be either inflated or deflated in the market and the further fact that many individuals who are not expert in such matters tend to reinvest in securities of lesser quality, thus ending up with a dissipation of capital.

But with reliable investment companies in the field with adequate records and competent management facilities, they could satisfy themselves and certify to their shareholders that a particular capital gains dividend was not a return of capital if their tabulations showed, as these take indicate, that the realized capital gains do not exceed the reinvested earnings of the portfolio companies for a stated period probably 3-5 years. This would assure the individual investor that he was not using up his capital and at the same time give him a larger share of the year-to-year earnings to which he is entitled. With competent investment managers it could be assumed that the reinvestments in the portfolio would be made in securities of like quality but currently more attractive.

An Opposing View

The writer is not unmindful of the fact that many learned persons have held an opposite view on this subject. One very able discussion was written by Harry I. Prankard II in 1952.

In common with others sharing his viewpoint, he fails to look behind the scenes to determine the source of the increased value. Most market observers will recognize that stock prices may rise for at least five major reasons, namely:

(1) Pure inflation for any of several reasons. Outstanding example was the market of the late twenties.

(2) An expanded demand or reduced supply of stocks.

(3) More general acceptance of stocks for investment resulting from a maturing economy.

(4) Reduced interest rates on other forms of investment, thus making stocks more attractive at lower yields.

(5) Increased net worth of stocks resulting from withheld earnings in previous years.

The first and second factors are influential from day-to-day and from year-to-year but the third, fourth and fifth reasons are most influential for the long-term.

Having overlooked the source of the increased market value, Mr. Prankard and others assume that it results from some unearned source such as the first four mentioned, and proceed with their discussion from that point. If these were the only causes of market rise their position would be well taken because the gain would be unearned increment to the shoreholder but the fifth cause has been the most prevalent over the long-term and in the past 15 years has accounted for substantially all of the increased market value of the representative group of stocks shown in the foregoing tabulations.

It is to be admitted that realized capital gains derived during the first few years of ownership of an investment fund may not be earned income to all shareholders and consequently would be depleting the capital of new shareholders but would represent deferred income, realized in the form of capital gain, hence true income, to the older shareholders. Since most investment companies are so conservative in their realization of capital gains, this would be no serious objection and moreover it would average out in a very few years. For trust estates who would be legally obligated at present, and all individuals who might be disturbed over spending unearned capital gains dividends, most investment companies afford an easy opportunity for the reinvestment of capital gains dividends whether earned or unearned.

The plan suggested for investment managers to report the relationship of realized capital gains to withheld earnings of portfolio companies in the latest 3-5 year period would eliminate doubt for older shareholders even though the first two or three capital gains to new owners might under certain market conditions be a return of capital. As stated before, the conservative approach of most investment managers would assure its replenishment in the very near future.

A realistic attitude toward this matter might result in a better distribution of stock earnings between income beneficiaries and the remainderman although there would be some legal obstacles currently because of past court rulings. In equity a remainderman is only entitled to have his capital preserved. Rightly or wrongly he falls heir to all unearned increment; it should not follow that he also gets the natural increase in stock values resulting from the withholding of some earnings from year-to-year.

Even though these capital gains in most cases represent delayed income, since it is received in the form of capital appreciation, it could and should enjoy the preferential treatment accorded long-term capital gains in our income tax picture.

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Mutual Funds

value for Corporate Leaders Trust Fund increased during the 12-month period ending Nov. 30 from $9,734,002 to $14,973,274.

Per participation, the net asset value increased from $16.97 to $21.19; this includes reinvestment of distributions from net investment income. The actual gain was reported greater since additional participations were created by stock splits, rights and stock dividends and distributed to the certificate holders.

As compared with 573,577 participations outstanding at the close of the 1953 fiscal year, there were 706,565 on Nov. 30, 1954. Shareholders increased from 8,833 to 10,381 during the same period.

Of the 28 stocks comprising the portfolio, there was only one in which the market value on Nov. 30 was not in excess of the average cost.

In his report to the shareholders, Guy W. Renyx, President of Corporate Leaders of America, Inc., Sponsor, points out that an investment of $1,000 in a single payment certificate on Dec. 1, 1941 would have a net liquidating value of $4,435.50 on Nov. 30, 1954. This includes reinvestment of $938.42 from net investment income. Approximately $275.10 should be attributed to the reinvestment of realized capital gains.

BROAD STREET Investing Corporation reports December sales of $1,496,000 brought total sales for the year to $13,589,000, 74% greater than the $7,810,000 reported in 1953.

The December sales figure, which did not take into account the acquisition of approximately $798,000 of assets of The Connecticut Investment Management Corporation, was the highest for any month in the fund's 25 year history.

Redemptions for the year were $2,718,000, compared with $1,569,000 in 1953. Net assets of Broad Street Investing on Dec. 31, 1954 were over $64 million.

Bullock Holders Hear Report on Record Year

Shareholders of Dividend Shares, in their annual meeting held in Baltimore Tuesday morning heard that in 1954 net assets of the fund increased to $170,219,000 at the end of 1954 from $120,722,000 a year earlier.

Shareholders increased to 71,000 from 65,000, and shares outstanding to 71,104,000 from 65,332,000 a year ago.

Hugh Bullock, President of Dividend Shares, declared that every stock owned by the fund is paying dividends, and that over 90% have paid dividends for the past 10 years or more.

"The new year is not without problems for an investment company management," Mr. BuBllock stated. "Your management's job is to survey world conditions, the state of the United States economy, the impact of events upon each major industry within our country, and the relative attractiveness of individual companies within each industry.

"As the year 1955 begins, it would seem that there is a better chance than for some time past for peace among the major nations of the world. There are still danger spots of course—especially in East Asia.

"Government outlays for defense are no longer contracting; these billions are one of the sustaining elements of our economy. State and local government expenditures are potentially tremendous and a large, long range highway program is assured. While business expenditures for plants and equipment may dip slightly, spending by the consumer public may well increase.

"The government is still spending more than it is taking in and an era of cheap money appears to be the only practicable political philosophy. This has inflationary implications and should reassure investors that long-range holding of common stocks over the years to come is a wise and necessary program.

"As for the immediate present, with approximately a 50% rise in common stock prices in a period of less than a year and a half and with 1929 prices exceeded by all the recognized stock averages, it is important to remember certain facts to bring one's thinking into perspective.

"The 1955 dollar is worth in purchasing power only 64% of the 1929 dollar, so in terms of purchasing power, current prices are still well below those of 1929. The stock market in recent years has not kept pace with the advance in other major segments of our economy. And the historic measure of the level of the market, namely the number of times their annual earnings that stocks are selling at is still in a sound area, based on past experience.

"While a readjustment in the market at some point is to be expected, there are stabilizing factors, such as the tremendous buying power of pension funds, investment companies, insurance companies, trust funds and other institutions such as never existed before. Those investors who own a common stock investment, supervised by professional management of long experience, logically should find more peace of mind than if such investors were endeavoring to make major decisions themselves."

F. V. Foster To Admit

Glen S. Foster II on Jan. 13 will acquire membership in the New York Stock Exchange and will become a partner in F. V. Foster & Co., 50 Broadway, New York City, members of the New York Stock Exchange.

John V. Howe withdrew from partnership Dec. 31.

Aetna Securities to Offer Bowl-Mor Stock

Aetna Securities Corp., New York, plans to offer publicly on or about Jan. 25 an issue of 200,000 shares of 30-cent cumulative preferred stock (par $1) and 200,000 shares of common stock (par 10 cents) of Bowl-Mor Co., Everett, Mass., in units of one share of each class of stock at $5.50 per unit (to be physically attached until June 30, 1956).

Bowl-Mor manufactures and distributes by lease and sale an automatic bowling-pin setting machine.

The preferred stock will be entitled to subject to redemption at $5.50 per share and accrued dividends.

The net proceeds from the sale of the securities will be used to carry machine lease and to finance manufacturing operations.

Exch. Firms Govs. Schedule '55 Meetings

The Board of Governors of the Association of Stock Exchange Firms will hold meetings in 1955 as follows:

Pittsburgh: March 23-25, Charles McKenna Lynch, Jr., Moore, Leonard & Lynch, resident governor in charge.

Denver-Colorado Springs: Sept. 21-23, John J. Sullivan, Bosworth, Sullivan & Co., in charge (Mr. Sullivan is current President of the Association).

New York: Nov. 16-18.

Cohu & Co. Admits P. W. Billings To Firm

Pearne W. Billings has been admitted to general partnership in Cohu & Co., 1 Wall Street, New York City, members of the New York Stock Exchange.

F. S. Smithers Admits

Austin L. Smithers, members of the New York Stock Exchange, on Jan. 6 becomes a limited partner in F. S. Smithers & Co., 1 Wall Street, New York City, members of the New York Stock Exchange.

To Change Firm Name

Effective Jan. 1 the firm name of Warburton, Greiner & Co., 39 Broadway, New York City, members of the New York Stock Exchange, will be changed to Warburton, Greiner & Batkin.

E. B. Clark Opens

IDAHO FALLS, Idaho—Edward B. Clark is engaging in a securities business from offices in the Salisbury Building, under the firm name of Edward B. Clark and Company.

Arthur Krensky Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich. — Edward M. Silverstein has been added to the staff of Arthur M. Krensky & Co., Inc., McKay Tower.

San Jose Inv. Co. Formed

SAN JOSE, Calif. — San Jose Investment Co., Inc. has been formed with offices at 476 Park Avenue to engage in a securities business. Raymond F. Paxton is a principal of the firm.

Two With Hayden, Miller

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Raymond T. Kelsey, Jr., and Norman Reed, Jr., are now affiliated with Hayden, Miller & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Continued from first page

Economic Research And Public Policy

three. Since then, I've revised my faith upward. The economists have been remarkably accurate in anticipating the 1953-54 recession and recovery. The record has so improved that I can now say that economists are right about half of the time. Since business can move up, down, or sidewise, this is reasonably good. There are two chances out of three to be wrong. Hence, a 50-50 record is better than chance.

This forecasting record is cited because of its relevance to the subject, "Economic Research and Public Policy." In a society in which the government assumes responsibility for economic stability and high employment, forecasting becomes a part of the public domain. National policy cannot be made without some assumptions about the future. And the hazards of forecasting will be reduced if the government achieves economic stability. The less erratic is the business cycle, the less erratic will be forecasting. That will set off a nice chicken-and-egg argument: Did accurate forecasting produce economic stability or economic stability accurate forecasting? And it is desirable for the government to adopt measures which lessen dependence on forecasting. Of this, more later.

1946 Marked a New Era

We are in a new era. It began with the Employment Act of 1946, which established a Council of Economic Advisers to assist and guide the President in formulating his economic program. It established in the Congress a Joint Committee on the Economic Report, which studies proposals of the President, and then suggests implementary legislation.[1] As the result of the law and the Great Depression of the 'Thirties which foreran the law, the American people expect the government to prevent depressions — to protect them against protracted economic disuse and disability.

Forecasting is unavoidable because administrative wheels grind slowly. It takes three to six months to wind a tax bill through Congress. It takes as many months to put through appropriations. Changes in defense schedules likewise are authorized by the various committees slowly. And, if Congress closes its doors in July or August and the economy needs legislative treatment in October or November, it's just too bad.

Only an emergency would induce a President to call a special session. That's politically possible if business is in a tailspin, if unemployment is developing rapidly, bankruptcies rising, and the stock market falling. The needs of the times would communicate to the President and Çongress what had to be done. It is much less likely that the President would call a special session to combat inflation—if higher taxes were needed, say, to check a roaring excursion into over-full employment and a price boom which might ultimately degenerate into a business bust.[2]

Therefore, the President and his advisers and the Joint Committee on the Economic Report must formulate judgments on what is likely to happen long in advance—as much as a year—so as to be prepared for counter-cyclical action. This country was fortunate in the 1953-54 recession. Some tax recommendations, others in spite of his President Eisenhower's recommendations, others in spite of his initial resistance. These imparted an uptow to consumer income and business profits which helped to moderate the decline.

The Results of a Questionnaire

I directed the questionnaire to economists accustomed to forecasting. They're familiar with its hazards, frustrations, and necessity. They have been willing over the years to subject their judgment to the harsh caprice of actual event. I wanted to find out from them what, if any, additional information would make forecasting more scientific, would make them feel more confident of their predictions. I wanted a generalized judgment of the nation's statistical and research needs.

To be sure, the Subcommittee on Economic Statistics of the Joint Committee on the Economic Report conducted hearings on this subject in July. Well-known economists from government, business, universities, and research organizations appeared. They mentioned the missing weapons in our statistical armory. They commented on the need for greater detail in some series, for greater speed in others. They discussed the pros and cons of speed versus accuracy.

But at no point did economists and statisticians, as a group, submit an order of priority. What data are they most anxious to have? It was this gap I hoped my questionnaire would fill. It has done that only partially.

The answers indicate the concerns of the moment. When the next slump comes, if it comes, we'll be able to determine whether economists have been concerned about the wrong things. "The future is only the past again, entered through another gate," said Paula, in the closing line of Sir Arthur Wing Pinero's "The Second Mrs. Tanqueray." In economics, however, the past offers so many gates that it's all too easy to enter the wrong one.

There was unanimous accord among the respondents — implied or specified—that the government has the responsibility to provide regular censuses of population, manufactures, business, and agriculture. These are absolute musts —benchmarks for our understanding of the world we live in. Schedules should be regular, uninterrupted by budgetary ups and downs. This reconfirms the recent findings of the Intensive Review Committee appointed by the Secretary of Commerce to evaluate the work of the Bureau of the Census.

Beyond that, the comments indicated that economists and statisticians expect the government to continue its collection of basic statistics, such as employment and unemployment, consumers' prices, wholesale prices, housing starts, banking data, new orders, sales and inventories, consumer expectations, and so on. There was not a single suggestion for curtailment. But there were several suggestions that in forecasting—in analyzing probalities in business—statistics as statistics can be over-emphasized. "We don't need more data," said one respondent, "we need better judgment."

My first question was: *What are the most important gaps in our statistical information which prevent or hinder the Federal Government in making effective policy decisions to maintain economic stability? (Your answer might well cover data which are seriously lacking or seriously deficient in quality.)*

Forty different types of statistics were mentioned. One economist expressed a desire for more information on industrial accidents; another for more frequent data on the gross national product in constant dollars; another for information on the costs of doing business; another for additional seasonally adjusted data on Federal receipts and expenditures; two for information on the number of unemployed persons not receiving unemployment benefits; another for better information on farm expenditures; another recommended the accumulation of regional information.

Two demands stood out. Ten economists asked for better information on construction. Among the specific points covered were: More information on the supply and demand for new homes; more complete information on vacancies and conversion and demolition of old dwelling units; general improvement of all data.

One respondent said: "Additional data on real estate market developments might be of strategic importance in the next few years." Another was less oracular. He said: "The great construction boom of the 'twenties aggravated the collapse of the 'thirties. What about the soundness of the present building boom? Judged by the needs of the entire business cycle—not just the boom phase—are we overbuilding temporarily? And, if so, is not the government with its credit policy more responsible than anyone else? These are matters we know too little about."

Seven requested more detailed data on new orders, sales, and inventories. Oliver P. Wheeler, of the Federal Reserve Bank of San Francisco, commented: "The key role which inventories play in most short business cycles and often in major cycles, seems to call for more 'disaggregation' in the study for the inventory cycle."

There were requests for more data on consumer spending, savings, and intentions to spend or save. There were, also, requests for information on businessmen's expectations. Three economists asked for improvement in the BLS indexes of productivity.

The second question was: *What do you think the government's role should be in economic research? Should it engage solely in gathering of statistics on current developments or should it engage in long-term research projects on the effects of government policy on the economy? (This last type of research has usually been done by private organization, such as the Twentieth Century Fund, National Bureau of Economic Research, etc.)*

Fourteen of the respondents felt that the government should engage in long-term research. Usually, the feeling was positive and enthusiastic. Six objected. The principal objection was that the government would not be impartial, that the research would be politically motivated. Five didn't answer the question.

The third question was: *What economic policies followed by the government in the past year do you consider most open to criticism? Would better statistical data or research have pointed out beforehand the shortcomings of these policies?*

The economists seemed to divide into two groups. Those who might be described as of the New Deal-Fair Deal school felt that the tightening of money rates was a mistake. They felt that the government should have taken more positive steps when defense expenditures were tapered downword. The increase in unemployment would not then have occurred and should not have been countenanced. Economists associated with labor unions or with labor ties were emphatic in this latter view. They expressed the feeling that the government has the responsibility of maintaining an ever-expanding economy. There is no need for layoffs, letdowns, and un-negotiated shorter work weeks.

On the other hand, economists associated with banks or business firms felt that the present Administration had done all right. This group is not nearly so united in its thinking as the New Deal-Fair Deal group. It's opposed to the policy of keeping the economy in perpetual high gear, ever expanding. Constant government ministration to maintain expansion would only lead to inflationary boom and then to a bust. One respondent said: "What this country need is more frequent and milder recessions." Some in this group questioned the easy-money policy. One said that after tightening credit the Administration loosened up too soon. Yet, there was even some criticism of the hard-money policy in early '53, which indicated the lack of agreement.

The fourth question was: *What economic policies would you recommend at this time? (In your answer, please indicate any important assumptions you are making about the economic climate during 1955.) Do you think that additional data or information not now available would give you firmer convictions about the policies to be pursued? If so, what information would you need?*

The 18 answers to this question produced a standoff. Nine respondents felt that the government ought to give the economy an upward push—by spending on roads, public works, defense, or by reducing taxes. Nine others felt that the present administration's policies were fine, that no great Federal exertions are required, that an upturn is at hand. Immediate and large injections of government spending are unnecessary.

One respondent said the principal problem was to guard against over-speculation; another said the principal objective should be to stop inflation. Here, the inference is that the easy-money policy is leading to excessive expansion of home-building and construction of all kinds. As investment funds seek outlets, they may go into projects which are not too well planned and which, eventually, will lead to business failures and over-capacity. Redundant and competing shopping centers, for instance.

There were no positive expressions of what additional information would have lead to firmer convictions about policies to be pursued.

Government's Role in Forecasting

I believe the response to the questionnaire indicates that economists feel the government must assume responsibility for providing statistics and research necessary to decision-making, both public and private, in order to "promote maximum employment, production, and purchasing power."

Yes, private research should be encouraged. The Federal Government ought not to try to take over all statistic-gathering and research. When trade associations and industries gather facts, fine. But if it happens that an important segment of industry is "unguarded," then the Federal Goverement must gather the information. The cost of gathering information is small relative to the cost of unemployment and the psychological shock of a swift, sudden decline.

The 1937-38 slump is a case in point. Had we known more about sales, new orders, and inventories, perhaps we'd have been wise enough to have prevented the economic heartache. In 1936 and in 1937, the Federal Reserve Board raised reserve requirements and tightened credit when industry was running out of new business. At the time, we had virtually no satisfactory data on new orders, sales or inventories. It's possible that government policy aggravated the 1937-38 readjustment, one of the sharpest and swiftest on record. Immediately after the drop, many agencies — the National Industrial Conference Board, private research organizations, and the Department of Commerce—decided to plug the gap. Information on new orders, sales, and inventories was the statistical rage!

The answers to my questionnaire are significant in this regard: The emphasis on better construction and housing data and the emphasis on new orders, sales, and inventories hark back to the two most recent and important slumps — the Great Depression of the 'Thirties, in which the falling of in new housing was one precursor, and the slump of 1937-38. These emphases are understandable. Men remember what hurt or fooled them most recently. This is the stable-door method of preventing depressions. You close the statistical gap of the last depression.

We can't neglect the indicators, the barometers, which might have given us foresight in previous declines, but neither dare we assume that the causes of earlier depressions will repeat themselves in the same ways. In a changing economy, men's excesses, which cause slumps, take new forms. Economists and statisticians—particularly those in government — must be ever alert to changes in the character of the economy and statistics so as not to be beguiled.

We all know how statistics lose their meaning. Once, car-loadings was considered a significant indicator of business conditions. But during the 'twenties freight cars became larger. Car-loadings didn't reflect the increase in traffic of the period. Just when we became adjusted to this shift—we allowed for the increased tonnage per car—the truck became an important freight mover. Car-loadings then declined, not only because cars were more capacious, but also because freight was moving over highways instead of rails.

Consider pig iron. The stock market used to rise and fall with it. Now it's obsolete. Steel has taken over as the nation's work-horse metal. Yet, even this is changing. Steel isn't so dominant in metal-working as it once was. Aluminum is up and coming. Once we reckoned aluminum in pounds. Now it's a tonnage metal. And it's used in operations which usually require more machine-hours than steel—in airplanes and airplane parts, for example. As aluminum increases in importance, steel may decline in importance as a statistical guidepost.

Business failures is another indicator which may be undergoing a change. This is the era of the large corporation. Business firms have branches in many places. The small family-owned firm represents a decreasing percentage of total assets. And, since the small firms are most likely to fail than the large firms, business failures may be less sensitive as an indicator of economic change than formerly.

Let me try to illustrate this. You've probably read that John Wanamaker's has closed its New York store, that Alexander Smith

1 The Committee itself doesn't initiate legislation. But members of the Committee are on various legislative committees of Congress and so are in a position to influence fiscal, monetary, farm, and other legislation.

2 I realize that in the summer of 1948, President Truman, after his nomination for President, called a special session of the 80th Congress for legislation on selective price, materials, rationing controls, stronger rent controls, and an excess profits tax. Congress went through perfunctory motions of heeding the President's requests. No legislation resulted. Mr. Truman's action was regarded as a political maneuver to put the Republican Congress on the spot. Inflation is never entirely displeasing. It wasn't displeasing in 1948. Furthermore, there were signs, notably falling farm prices and leveling off in the consumers' price index, that inflation wasn't as great a worry as the President said it was. In fact, Christmas business sloughed off and a recession developed in 1949.

& Sons, carpet manufacturers, is shutting its Yonkers plant, which was built during the Civil War; that Gotham Hosiery has abandoned its knitting mill in Philadelphia; that International Shoe shut a plant in Manchester, N. H. In the 'twenties, each of these plants would have been a corporation or a company by itself. Each closing would have entered the bankruptcy or business-failure totals. And, as a result of such shutdowns, creditors would have uncollectible accounts. That's not so today.

These are business failures of a type. An establishment is outmoded. Trade has passed it by. Equipment is inefficient and obsolete. A bigger plant has been erected by the parent company elsewhere. But no bad debts result. The parent company is still solvent. Yet, the local areas is directly affected. An employer is moving away. Disemployed workers will have to find jobs in other companies in the area or move away. Personal distress—nonpayment of bills or defaults on mortgages—will result. The local impacts are pretty much the same. Yet, the failure at the local level doesn't register in the business failure statistics.

We know more than we ever did about what makes our economy tick. We have more statistics, more information, better trained statisticians and economists, and better mechanical equipment. But we also have a far more complex economy with which to deal. And we know that economists differ on when and how to cope with inflation and deflation. If we knew, really knew, there could be no difference of opinion. We know some facts, but not all the facts. Hence, we interpret the facts we know differently. When all the facts about a problem are on the table, the answer dictates itself.

Not only do differences develop about how to achieve maximum production and employment, but differences develop over the methods for detecting changes in the level and "quality" of business. Some economists study the behavior of business indicators, such as business failures, steel operations, new orders, sensitive commodity prices, new incorporations, paper board production, lumber production, housing starts, and so on. By analyzing each series, they hope to detect declines or upturns in business early enough to permit government action to prevent either inflation or deflation. And among this group, there are differences over the relative importance of the so-called barometers.

Another school of economists relies on models—economic models —not Conover or Powers models. Attempts are made to estimate the gross national product by making projections. These projections are aided by data which possess a "forward look," such as the SEC-Commerce complications on plant and equipment expenditures by industry, the University of Michigan studies of consumer-spending plans, and so on. Sure, the parts of the economy are interrelated and the forward-look components help to indicate direction and total expansion or contraction. But here again the accuracy depends on the assumptions the model-builder makes and on the reliability of the forward-looking data. Sometimes estimates based on surveys turn out like the election polls.

Federal budget estimates, which ought to be dependable, have been off the target—even over comparatively short terms. As one recent example, in January, 1954, the government estimated that tax receipts in the fiscal year starting July 1, 1954, and ending June 30, 1955, would amount to $62.7 billion. But by September, 1954, the estimate was lowered 5% to $59.3 billion. That change, of course, could be attributed to events not fully anticipated — to changes in business conditions and the tax law.

The government didn't do too well in its estimates of its own expenditures, either. In January, 1954, the estimate of spending for the '55 fiscal year was $65.6 billion; in September, only nine months later, that was revised downward by $1.6 billion to $64 billion, which isn't too bad. But we don't' know what the actual results will be by the time June, '55, rolls around. In this instance, the forecast of reductions in tax receipts and expenditures are partly offsetting. The errors almost canceled one another.

But errors can be self-reinforcing instead of counterbalancing. Then the model goes way off. This is its nature. An assumption in one sector of the economy often influence assumptions in other sectors. As an instance, if you estimate that government outlays on defense will drop, you might also assume that consumer purchases will drop because of resulting unemployment. This partially explains the forecast of eight million unemployed in 1945 and 1946. The economists in the Office of War Mobilization and Reconversion knew government outlays would drop. But they underestimated the speed with which industry would reconvert; hence, they overestimated disemployment and underestimated payrolls. As a result, low estimates of consumption, production, and employment were all in the same direction.

Each economist is bound to have his own predilections — his own methods — in trying to forecast business changes, in trying to formulate government policy to abet a high level of employment and a rising standard of living. I don't believe that the government can afford to rely solely on the barometric approach or modelbuilding for forecasting. Both are necessary.

Furthermore, in the effort to determine what action the government must take to influence the course of business, a model is essential. Both the analyst and the policy-maker want to know whether construction needs bolstering, or consumer purchasing, or business outlays. The model suggests areas in which government support is needed to achieve a high-level employment.

The model builder is like Professor Higgins[3] in Shaw's "Pygmalion." Just as the Professor tried to correct and recorrect Eliza Doolittle's speech so that she could pass as a lady, the economist builds a model of what is likely to be. Then he recasts it—according to his conception of perfection. Government policy then is directed to obtaining this ideal. If the policy is correct and successful, the resultant model, like Liza, is the modeler's dream.

Requirements of Employment Act

Under the Employment Act, the government must engage in constant business-cycle analysis. The Council of Economic Advisers takes the lead in this, assisted by the many research and statistical agencies of government, the Department of Commerce, Bureau of the Census, Federal Reserve System, Bureau of Labor Statistics, and so on. This has immediate application to current business conditions and fiscal policy.

But government mustn't stop there. I think it ought to undertake—directly or through private research organizations — studies into long-term economic trends or contingencies. I have in mind studies such as the Paley report on America's resources. We have to review periodically the long-term prospects for supplies of basic commodities, such as petroleum, iron ore, copper, aluminum, and so on, to determine our competitive position vis-a-vis the rest of the world. We talk about the possibility of becoming a have-not nation. We must also study the dangers of becoming a high-cost nation.

Likewise, it is desirable for the government to continuously examine the economic consequences of postwar technological improvements, of automation. Are we on the threshold of a great expansion in output per man which will make the 40-hour week obsolete? Will that result in large-scale unemployment and an economic crisis? Or will the labor unions exert countervailing power on industry and obtain reductions in work-time at rising hourly rates to offset increases in productivity?

The government might also want to make continuing studies of consequences of the great flow of savings into savings institutions. Raymond Goldsmith has worked on phases of this problem. Will insurance companies, savings banks, and other institutions be so pressed to invest funds that they will become parties to industrial and commercial over-expansion.

We have to keep abreast of the effects of an aging population on production, consumption, and the tax burden on the younger population. We also will want to study the impact on the economy of the increase in babies. In the next 10 years, will we need more schools, factories making children's clothes, etc? Not only does gross population have an impact on business, but so do its segments. In our emphasis on the aged, on geriatrics, we mustn't forget the economic influence of the younger generation.

Government fiscal policy, itself, calls for special long-term research. We have certain theories about the effect of taxation on consumption and investment decisions. But are they justified? Do high corporation taxes, for example, discourage business investment? Or does business merely pass along the taxes to the consumer and, for purposes of reinvestable funds, hold back earnings from stockholders?

Similarly, it would be well to re-examine the effect monetary policy has on the business cycle. We assume easy money encourages businessmen to borrow and to expand; that high interest rates have the opposite effect. How valid is that?

Another long-term research project would be the relationship of the farm and urban populations. The government has to support farm prices today because of surpluses. But is it possible that the increase in mouths to feed and bodies to clothe in the decade ahead will result in an enlarged demand for foods and fibers, thus increasing the economic bargaining power of the declining number of persons who remain on the farm? Is the farmer moving into a new strategic position — from political to economic strength.

Other subjects which might come under the government's purview are: The expansion in state and local debt. In the next five or 10 years, the burdens assumed by states, cities, and towns in providing hospital, school, road, police, and fire services could create a taxpayer crisis. Could they also cause a financial crisis?

I also think that the sale of revenue bonds—for the building of roads, schools, and other civic improvements—is a source of potential financial danger. We're creating in the United States state-sponsored enterprises which have the benefit of tax exemption. Yet, the service of these bonds—the payment of interest and the building of sinking funds — depends entirely on income. If for any reason a road is poorly planned, the bonds would default. Is this device abused? And could it result in a loss of faith in municipal and state credit?

Long-term research has this advantage over short-run analysis: It lifts minds and imaginations out of day-to-day detail. Secular changes are observed. New economic probabilities can be dreamed of in the freedom of not trying to find solutions to immediate problems. The present is better understood for knowing the past and peering starry-eyed into the future.

Greater Flexibility in the Anti-Depression Army

At the outset, I alluded to the difficulties of forecasting, yet the necessity for it. If a business decline occurs when Congress is out of session, it would be months before Congress could act—even assuming the President were to call a special session. Therefore, it would be well for us to introduce greater automation and flexibility into our anti-depression armory so as to depend less on prophecy.

We have certain flexibility now. The graduated income tax is a negative form of flexibility. As personal incomes drop, the burden of taxation falls. Similarly, as corporation earnings decline, the corporate tax burden is reduced; the government shares about half the drop in pretax income. Such automatic reduction in taxes cushion the severity of the business decline. But they don't increase income. They're not contra-cyclical in effect.

Unemployment compensation also is automatic in response to a recession. Workers are laid off. Their incomes don't collapse. Old age pension payments also come into play. Persons who are entitled to pensions who lose jobs can draw on their pensions after unemployment compensation is used up. Thus, we have automatic income-supporting measures.

But what if these are not enough? What if the decline proceeds rapidly?

We ought to give serious consideration to empowering the President, or the President in consultation with a Congressional committee, to take positive action to lift income when Congress is out of session. For example, we talk ot the need for a continuing shelf of public works — to be spread around the country when unemployment rises. But building highways, constructing public buildings, dredging rivers, and expanding research all require funds. Ought we to set up a special reserve fund of $2,000,000,000 to $5,000,000,000 to be used by the President at his discretion, or on some automatic signal, say, when unemployment reaches 5,000,000.[4]

Similarly, should the President have standby power to reduce the tax rate in the lowest income bracket, so as to immediately increase the amount of income available to persons who have jobs and whose incomes have not been reduced? Should he be permitted to cut certain excise taxes? These actions would be contra-cyclical in effect.

Congress is always reluctant to give the Chief Executive discretionary authority.[5] Congress might be more receptive to this idea if some Congressional strings were attached. Suppose a small, special standby committee were established to act with the President if an emergency develops while Congress is out of session. This committee might consist of the majority and minority leaders of the House and the Senate, the two ranking members of both parties on the two Appropriations Committees, the House Ways and Means Committee, the Senate Finance Committee, and the two Banking and Currency Committees, and the Chairman of the Joint Committee on the Economic Report.

The methods for dealing with a recession would already have been set up. What would then remain to be determined by the President, or by the President and a Congressional Committee, is the timing: When to put the measures in force. And a time limit should be established on tax reductions. The rates should automatically be restored at the end of a year—unless Congress legislates to the contrary in the meantime.

(I'm not suggesting an automatic anti-inflation program. That would require raising tax rates. I hardly think Congress would grant the President or a committee power to notch taxes up—even within limits.)

The purpose of an automatic anti-deflation program is self-explanatory: To anticipate unanticipated changes in business conditions. It would be a stopgap, pending the convening of Congress and the enactment of formal legislation to meet the specific problems. It would take the burden off the Council of Economic Advisers to forecast correctly six months to a year ahead.

An Independent Research Agency Proposed

I have one further point to make on Economic Research and Public Policy. I propose a new agency, a private agency, to be the private counterpart of the President's Council of Economic Advisers. I think it ought to be financed by a foundation, such as the Rockefeller, Ford, or some other organization interested in the social sciences. It would report to the public at large. Its function would be to analyze economic trends just as does the President's Council. It would appraise the Council's report to the President, the President's report to Congress, the policies recommended by the President, and the economic effects of Congressional legislation. This private Council of Economic Advisers would have the responsibility of analyzing public statements of government officials—the President, the Secretary of the Treasury, the Secretary of Commerce, and so on—to determine their validity.

Such an independent research organization is necessary because of the institutional character of government research and government policies. Within government, there is freedom to criticize and argue. But once an executive determination is reached, once a policy has been set, the critic, if he's to remain in government service, is silenced. He must then become a conformist. He must be on the team. In this, government is no different from a corporation.

This institutionalization of attitudes within government has dangers. Take a simple example. A budget is developed. It calls for a certain level of taxes and outlays. It's argued back and forth. Finally, it's adopted. Some government economists may feel that expenditures are greatly overstated; that the Department of Defense may not be able to let contracts as rapidly as the budget implies. That being the case, the income-supporting implications of the budget are exaggerated. Therefore, they feel that the Council of Economic Advisers, the Department of Commerce, and other government agencies should discount the budget.

But here's an authoritative document. It's the President's final word on income and outgo. How can government economists argue with *the word?* Department of Commerce or Department of Labor economists cannot make brash statements about the budget being unrealizable. They have to accept it. Most persons in government do accept it. After all, a good many worked on the estimate. So it becomes imbedded in

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3 Not to be confused with Benjamin Higgins, author of "What Do Economists Know," a charming, clarifying set of five lectures.

4 Herbert Stein, of the Committee for Economic Development, has gone into economic automation in great detail.

5 Probably it will take a crisis to jar Congress loose from this reluctance.

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Economic Research And Public Policy

economic analysis. And since government outlays constitute about 15% of the gross national product, the budget becomes heavily weighted with a fixed concept.

That's not the worst. Government tends to develop and parade a Pollyanna attitude. No President, Secretary of the Treasury, or Secretary of Commerce can make a public statement that business is not going to be good. Official statements, from those of President Hoover to Presidents Truman and Eisenhower, have ever been in an optimistic vein. The government has the responsibility of seeing that business is good; if it's not good, then it must try to help make it good. To proclaim poor business might create poor business.[6] Certainly, therefore, the public expressions of persons in government tend to be optimistic. And these opinions are the ones that are communicated to most persons. Doubts are communicated in private discussions, perhaps. But propriety calls for the "good word."

This is a political necessity. Every two years the government stands before the voters—in the Congressional elections. The party in power doesn't lose by glossing over unpleasantries. It keeps a strong upper lip, regardless. That's the nature of the government—openly optimistic, regardless of what sober discussions go on in the inner councils. And that can have a self-mesmeric effect. Persons often think the way they talk!

Therefore, we need a countervailing research power against institutional optimism: A non-political organization whose sole objective would be to make a review of government economic statements and policies—not for the purpose of being critical and opposed, but for the purpose of being analytically objective. It could agree as well as disagree with government statements and legislation. Nor would it complain if government failed to follow its suggestions. It would look to the future, not beat dead horses.

No organization in existence today satisfactorily fills the bill. The Joint Committee on the Economic Report was set up by Congress for this purpose, but, unfortunately, the two-party system isn't conducive to impartial research and reports. On critical issues, this committee usually splits.

Grover Ensley, staff director of the Joint Committee, did a remarkable job in developing a "joint report" on the President's 1954 Economic Report to Congress. But even then, there were several exceptions and special points of emphasis by the Democratic members. And I doubt that even Grover's exceptional diplomatic skill would be able to get a truly joint report during a period of acute difference of opinion on ways and means of coping with either inflation or deflation. These reports tend to be compromises rather than objective analysis. If there were ever the prospect that the President's report were to be a major campaign issue in an election year, the chances of committee agreement would, in my opinion, be nil. Regardless of the objectivity of the committee's staff, the committee, itself, cannot be entirely objective. So it cannot perform this function.

Research organizations which sell their services often develop material which differs from government projections and policy. But such findings are limited to clients. The National Industrial Conference Board does some work in business analysis, but it has other functions and it depends upon subscriptions from business organizations. The National Bureau of Economic Research has the personnel for a task of this type, but it is devoted to long-term research rather than analysis applicable to immediate economic developments. It wouldn't say "boo" on current events.

Labor research staffs frequently criticize the administration's program, but these criticisms are as much political as economic. Banks publish monthly reports on business, but are seldom single-mindedly devoted to business-cycle analysis—with the purpose of informing the public about the strong and weak points in the business prospect, the efficacy of government policy, and the need for changes, if any. There is no lack of critics and analysts of government policies. But there is no organization set up for the specific purpose of making studies of cyclical progress and problems.

This organization would have to be headed by an outstanding economist—a person who could command the respect of economists of the New Deal-Fair Deal school and of the so-called more conservative school. (Professor Higgins classifies economists into four schools—the Latter Day-Laissez-Faire, Keynesians, Marxists, and Institutionalists.) I'm putting my stress here on political leanings rather than method or approach to economic analysis.

The organization would need a competent staff comprising specialists in government finance, banking, industry (broken down into hard goods and soft goods, with subdivisions for important sectors, such as automobile and steel), consumer savings and spending, building and construction, state and local government plans and outlays, etc.

A staff such as that of the Federal Reserve System would be ideal. The Federal Reserve, however, has to be looked upon as a branch of government. It cannot issue independent statements. Reserve research must be directed toward assisting the Board in making policy decisions which are coordinated with the policies of the Treasury. Thus, complete research independence is neither possible nor, for that matter, permissible. What is needed is a critic-commentator of government economic policy. A research group which would commend when policies seem wise, which would point out dangers if policies and statements seem unwise or impetuous.

Such a group is required because the government today commands more economists and statisticians than any other organization. Size equals power. The fact that recent results of the Council of Economic Advisers have been excellent doesn't guarantee the future.

Such an independent organization, with a strong board of directors, would command the attention of the President, his advisers, and the Congress. Its observations would alert persons in and out of government to shortcomings in government concepts, projections, and policies. It would remind all of us that the government's word isn't absolute. It would guard against a stampede of monogenous opinion, fostered by government, which could lead to boom and then, perhaps, bust. Furthermore, it would furnish a yardstick against which to measure government forecasts. This organization, even as the Council, would put its judgment on the line in its reports and observations. Its survival would depend on its record—on the help it gives to all of us in understanding the economic currents and cross-currents.

Summary

To summarize:

(1) The government must undertake to improve existing statistics and develop any statistics necessary to increase understanding of the economic world we live and will live in. That's a virtual mandate under the Employment Act.

(2) Statistics won't supplant judgment, however.

(3) Long-term research is as much a government responsibility as short-term analyses of the business cycle.

(4) To make up for the shortcomings of forecasting, we should invest the President with limited powers to undertake contra-cyclical action when Congress is not in session.

(5) A counterpart of the President's Council of Economic Advisers should be established outside government to provide objective analysis of government plans and projections.

I think we are all humbly aware that the past is dead, the future is unborn, and the present is imperfectly understood. Sometimes, I'm sure we'll conquer the business cycle; we'll limit declines to short periods of time and modest percentages. But I have doubts, too. At such times, I fear that not until after the next crisis will we know what kind of research we should have had to prevent it. But that doesn't mean we don't need research. We most decidedly do—better research and better judgment.

6 The forecast of 8,000,000 unemployed in 1945-46 is the exception. Here the purpose was to impress on Congress the need for legislation. Also, it was a special situation—reconversion from the war.

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The Electric Indusry in 1954

capability and peak power demand in 1954 was 17,700,000 kw or 19.8%, as compared with 14,300,000 kw or 17.6% in 1953. Growth in December peak demand was 10%, as compared with 7.6% in 1953, and 7.1% in 1952.

During the year an adequate supply of power was maintained in all sections of the country.

Construction Expenditures

Construction expenditures by the investor-owned companies totaled $2,800,000,000 in 1954, as compared with $2,876,000,000 in 1953. The 1955 construction budget is likewise $2.8 billion.

Construction expenditures of the electric companies from the end of World War II to the end of 1954 totaled $18½ billion.

Financing the Construction Program

Money to finance the year's construction program of the electric companies totaled $2,800,000,000. Approximately $1.8 billion of the 1954 total was obtained from the sales of securities, and the remainder was drawn from depreciation reserves and surplus accruals. Bond sales in 1954 totaled $1,200,000,000, common stock $350,000,000 and preferred $250,000,000.

Investment in plant and property of the electric companies was approximately $28 billion at the end of 1954, as compared with $12½ billion in 1945.

Construction Scheduled for 1955

Construction in 1955 is expected to exceed the record-breaking level attained in 1954. Thirteen million kilowatts of generating capability is scheduled for the entire electric industry in 1955, of which 8,000,000 kw is planned by the investor-owned companies. The addition of this amount to present capability will bring total installations to 120,000,000 kw of generating capability. Generating capability at the end of World War II was about 50,000,000.

Electricity Sales

Electricity sales by the electric industry totaled 409.5 billion kwhr in 1954, an increase of 25 billion over 1953, or 6.6%. Sales to industrial customers totaled 197.5 billion kwhr, a 3.9% increase over 1953, residential sales were 108.1 billion kwhr, an 11.4% increase, and to commercial customers, 74.9 billion kwhr, an 8.1% increase. Sales to other customer categories totaled 29 billion kwhr.

New Customers

By the end of the year 51.2 million customers were being served by all components of the electric industry. One million, three hundred thousand were added during 1954. Electricity is now in reach of nearly every American home, with about 98% of occupied homes, both urban and rural, enjoying electric service. Growth in number of customers during the year was due mainly to construction and population increase.

Electricity in the Home

Average consumption of electricity in the home increased by 194 kilowatthours per domestic customer, the largest annual gain on record. Total average use by the householder was 2,540 kilowatthours for the year. Sales to domestic customers alone in 1954 were greater than the total sales to all classes of customers only 15 years ago.

Use of electricity by domestic consumers now accounts for 26.4% of all electricity sales. The continually increasing importance of electric service in the home is indicated by these comparisons: In 1946, the percentage was 20.2. Twenty-five years ago, domestic sales were 13% of the total sales, or one-half of the present percentage.

Cost of Domestic Electricity

The very substantial increasing use of electricity in homes brought the average revenue per kilowatt-hour sold to domestic customers to 2.69 cents, as compared with 2.74 cents in 1953. The decrease was due to the promotional character of rate schedules, which, in effect, apply the ancient rule of the more you buy, the less the average unit cost.

Starting at 25 cents per kilowatthour in 1882, the average price to domestic customers was 10.5 cents in 1907. It was down to 5.6 cents per kilowatthour in 1932 and 4 cents in 1939. Earlier reductions resulted largely from technical advances in electricity supply. In more recent years, the reductions came from further refinements in equipment and operational improvements, increases in efficiency of new plants, and, as noted before, the constantly expanding average consumption of electricity by the domestic consumer under promotional rate schedules.

Farm Service

By the end of 1954, an estimated 5,090,000 farms had electric service, 94.6% of the over-all farm figure. All but 2% of the nation's occupied farms now either have electric service or have it readily available.

Rate Increases

Regulatory commissions continue to recognize the effects of postwar inflation on construction and operational costs and tax payments, through the approval of rate adjustments necessary to insure the financial strength on which continuance of adequate electric service to the nation depends.

Four hundred and thirty-one applications for rate increases were made by the electric companies from 1946 through the first 11 months of 1954, according to records of the Edison Electric Institute. Of these, 386 applications were granted, 21 are pending action, 11 were withdrawn, and 13 denied.

The 1954 record shows 39 actions by the Commissions. Applications pending are 16. Twenty-two were granted and one denied.

Revenues Increase

Gross revenues of the investor-owned electric companies were $6.305 billion in 1954, an increase of 6.1%, and more than double gross revenues in 1946. Net income of the companies was $1.165 billion, an increase of 11.9% over 1953. Net income was double that of 1945.

Expenses Continue to Mount

For the fifth straight year taxes have been the largest item of the electric companies' expenses. In 1954 taxes, Federal, state and local, consumed $1.447 billion of electric operations revenues, or 23%. Taxes increased 8.1% over 1953. Federal taxes were $888 million and state and local, $559 million.

Wages and salaries totaled $1,226,000,000 in 1954, an increase of 6.2% over 1953. Fuel, the third highest item, was $995,000,000, down 1.9% from 1953.

Increasing Efficiency in Fuel-Burning Stations

Increasing efficiency in fuel-burning stations brought downward the coal consumption per kilowatthour generated from an average of 1.06 lb. per kwhr in 1953 to 0.99 lb. in 1954. Ten years earlier the comparative figure was 1.290 lb. per kwhr.

In 1882 it required 10 pounds of coal to generate one kilowatt-hour of electricity. If there had been no continuing efficiency improvement, this year's fuel consumption would have been 1,800,000,000 tons of coal or equivalent in oil and gas, instead of the approximately 180 million tons actually consumed.

What would have been one year's supply has now become 10 years' supply, and a convincing demonstration of real conservation of natural resources.

Aluminium Stock Publicly Offered At $75.50 Per Share

In connection with the subscription offering to stockholders by Aulminium Ltd. of 904,314 shares of the company's capital stock on a 1-for-10 basis, The First Boston Corp., as manager of a nationwide group of investment firms on Jan. 10 announced the offering of 150,404 shares of Aluminium capital stock. These shares, together with 50,134 shares to be offered in Canada by A. E. Ames & Co. Ltd., are to be acquired through exercise of rights to be purchased by the group from certain shareholders who have elected not to exercise their subscription rights. The public offering price of the shares is $75.50 per share.

Now Continental Secs.

(Special to The Financial Chronicle)

MILWAUKEE, Wis.—The firm name of Sheldon, Erwin & Company, 207 East Michigan Street, has been changed to Continental Securities Corporation. Officers are Sheldon B. Lubar, President and Treasurer, and E. J. Plesko, Vice-President and Secretary.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 16	§81.8	*81.2	81.8	74.3
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 16	§1,975,000	*1,960,000	1,950,000	1,772,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 31	6,342,950	6,400,950	6,285,700	6,194,900
Crude runs to stills—daily average (bbls.)	Dec. 31	¶7,296,000	7,288,000	6,962,000	7,202,000
Gasoline output (bbls.)	Dec. 31	25,319,000	24,767,000	24,440,000	24,616,000
Kerosene output (bbls.)	Dec. 31	2,606,000	2,782,000	2,554,000	2,910,000
Distillate fuel oil output (bbls.)	Dec. 31	11,846,000	12,179,000	11,187,000	10,299,000
Residual fuel oil output (bbls.)	Dec. 31	8,311,000	8,042,000	7,555,000	8,805,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 31	157,228,000	154,922,000	151,378,000	158,027,000
Kerosene (bbls.) at	Dec. 31	29,281,000	30,521,000	35,430,000	28,696,000
Distillate fuel oil (bbls.) at	Dec. 31	109,631,000	113,817,000	131,432,000	113,337,000
Residual fuel oil (bbls.) at	Dec. 31	51,361,000	51,072,000	54,355,000	49,435,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 1	529,452	561,079	661,797	477,805
Revenue freight received from connections (no. of cars)	Jan. 1	507,424	570,565	570,503	463,906
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 6	$414,944,000	*$216,147,000	$258,341,000	$225,873,000
Private construction	Jan. 6	232,952,000	*68,439,000	156,326,000	78,926,000
Public construction	Jan. 6	181,992,000	147,708,000	102,015,000	146,947,000
State and municipal	Jan. 6	84,089,000	128,118,000	83,627,000	135,292,000
Federal	Jan. 6	97,903,000	19,590,000	18,388,000	11,655,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 1	7,430,000	*7,475,000	8,500,000	6,790,000
Pennsylvania anthracite (tons)	Jan. 1	512,000	605,000	610,000	422,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 1	80	*190	192	81
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 8	9,833,000	*9,425,000	9,846,000	8,825,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 6	198	152	223	202
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 4	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	Jan. 4	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Jan. 4	$34.17	$32.83	$32.17	$29.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 5	29.700c	29.700c	29.700c	29.600c
Export refinery at	Jan. 5	31.225c	31.050c	30.600c	28.625c
Straits tin (New York) at	Jan. 5	86.500c	87.500c	90.000c	85.000c
Lead (New York) at	Jan. 5	15.000c	15.000c	15.000c	13.500c
Lead (St. Louis) at	Jan. 5	14.800c	14.800c	14.800c	13.300c
Zinc (East St. Louis) at	Jan. 5	11.500c	11.500c	11.500c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 11	98.13	98.47	99.29	96.80
Average corporate	Jan. 11	110.52	110.52	110.70	106.56
Aaa	Jan. 11	114.66	114.85	115.24	111.44
Aa	Jan. 11	112.19	112.19	112.56	108.52
A	Jan. 11	110.34	110.52	110.70	106.21
Baa	Jan. 11	105.00	105.00	105.00	100.32
Railroad Group	Jan. 11	108.70	108.70	109.06	104.14
Public Utilities Group	Jan. 11	111.07	111.25	111.25	107.09
Industrials Group	Jan. 11	111.62	111.81	112.00	108.34
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 11	2.63	2.61	2.55	2.73
Average corporate	Jan. 11	3.14	3.14	3.13	3.36
Aaa	Jan. 11	2.92	2.91	2.89	3.09
Aa	Jan. 11	3.05	3.05	3.03	3.25
A	Jan. 11	3.15	3.14	3.13	3.38
Baa	Jan. 11	3.45	3.45	3.45	3.73
Railroad Group	Jan. 11	3.24	3.24	3.22	3.50
Public Utilities Group	Jan. 11	3.11	3.10	3.10	3.33
Industrials Group	Jan. 11	3.08	3.07	3.06	3.26
MOODY'S COMMODITY INDEX	Jan. 11	412.1	416.2	406.8	421.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 1	214,669	182,895	297,807	185,853
Production (tons)	Jan. 1	140,640	239,060	246,190	103,430
Percentage of activity	Jan. 1	47	90	87	43
Unfilled orders (tons) at end of period	Jan. 1	363,024	292,891	392,807	392,425
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Jan. 7	106.54	106.78	106.73	107.47
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Dec. 25	1,036,822	1,173,065	1,103,947	580,262
Dollar value	Dec. 25	$50,161,993	$58,180,965	$53,497,006	$23,617,381
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Dec. 25	1,173,155	1,283,826	1,183,537	701,514
Customers' short sales	Dec. 25	7,016	8,040	7,271	4,570
Customers' other sales	Dec. 25	1,166,139	1,275,786	1,176,266	696,944
Dollar value	Dec. 25	$52,646,036	$58,223,698	$53,152,371	$25,251,188
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 25	398,980	448,729	371,070	285,260
Short sales	Dec. 25	------	------	------	------
Other sales	Dec. 25	398,980	448,729	371,070	285,260
Round-lot purchases by dealers—					
Number of shares	Dec. 25	284,400	346,039	299,970	149,610
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Dec. 18	540,720	796,230	721,320	231,280
Other sales	Dec. 18	15,402,950	18,464,010	16,859,580	8,095,420
Total sales	Dec. 18	15,943,670	19,260,240	17,580,900	8,326,700
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 18	1,790,150	2,216,840	2,038,080	791,560
Short sales	Dec. 18	278,860	397,520	419,100	127,930
Other sales	Dec. 18	1,430,720	1,807,250	1,570,610	633,540
Total sales	Dec. 18	1,709,580	2,204,770	1,989,710	761,470
Other transactions initiated on the floor—					
Total purchases	Dec. 18	543,970	620,540	613,000	212,380
Short sales	Dec. 18	34,000	40,600	32,330	7,900
Other sales	Dec. 18	499,410	568,760	601,210	151,790
Total sales	Dec. 18	533,410	609,360	633,540	159,690
Other transactions initiated off the floor—					
Total purchases	Dec. 18	629,150	743,238	715,300	314,430
Short sales	Dec. 18	68,810	146,000	92,520	22,670
Other sales	Dec. 18	694,921	755,057	717,234	228,750
Total sales	Dec. 18	763,731	901,057	809,754	251,420
Total round-lot transactions for account of members—					
Total purchases	Dec. 18	2,963,270	3,580,618	3,366,380	1,318,370
Short sales	Dec. 18	381,670	584,120	543,950	158,500
Other sales	Dec. 18	2,625,051	3,131,007	2,889,054	1,014,080
Total sales	Dec. 18	3,006,721	3,715,187	3,433,004	1,172,580
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 4	109.6	109.6	109.4	110.4
Farm products	Jan. 4	91.5	*91.8	90.9	95.9
Processed foods	Jan. 4	103.3	103.3	103.4	105.2
Meats	Jan. 4	84.7	84.3	84.7	91.4
All commodities other than farm and foods	Jan. 4	114.8	114.8	114.7	114.5

*Revised figure. ¶Includes 711,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against the Jan. 1, 1954 basis of 124,330,410 tons. ‡Preliminary figure.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of November:			
Total gas (M therms)	5,307,012	4,510,777	4,835,900
Natural gas sales (M therms)	5,035,338	4,303,880	4,589,800
Manufactured gas sales (M therms)	41,688	34,115	51,100
Mixed gas sales (M therms)	229,986	172,782	195,000
AMERICAN ZINC INSTITUTE INC.—Month of December:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	85,166	80,119	79,116
Shipments (tons of 2,000 pounds)	95,728	*97,617	63,896
Stocks at end of period (tons)	124,077	*134,639	180,843
Unfilled orders at end of period (tons)	45,862	44,042	35,466
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of December (000's omitted):			
Total U. S. construction	$1,373,486	$1,214,582	$1,510,921
Private construction	759,091	674,148	929,340
Public construction	614,395	540,434	581,581
State and municipal	500,367	408,091	505,198
Federal	114,028	132,343	76,383
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of October (000's omitted)	35,107,798	35,148,736	32,349,580
Revenue from ultimate customers—month of October	$618,364,000	$620,917,000	$572,424,000
Number of ultimate customers at Oct. 31	51,032,028	50,911,221	49,699,530
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of November:			
All manufacturing (production workers)	12,679,000	*12,655,000	13,534,000
Durable goods	7,232,000	*7,139,000	7,910,000
Non-durable goods	5,447,000	*5,516,000	5,624,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	102.5	*102.3	109.4
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	141.3	*139.6	148.0
Estimated number of employees in manufacturing industries—			
All manufacturing	16,071,000	*16,045,000	16,988,000
Durable goods	9,158,000	*9,062,000	9,897,000
Non-durable goods	6,913,000	*6,983,000	7,091,000
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of November:			
Contracts closed (tonnage)—estimated	193,405	*212,419	153,514
Shipments (tonnage)—estimated	226,496	*257,949	257,844
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of December:			
Copper (per pound)—			
Electrolytic domestic refinery	29.700c	29.700c	29.673c
Electrolytic export refinery	31.036c	31.259c	29.061c
Lead—			
Common, New York (per pound)	15.000c	15.000c	13.500c
Common, St. Louis (per pound)	14.800c	14.800c	13.300c
‡‡Prompt, London (per long ton)	£104.216	£108.097	£90.386
‡‡Three months, London (per long ton)	£103.202	£103.972	£88.608
¶Antimony, New York Boxed	31.970c	31.970c	31.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	28.500c
Antimony (per pound) Laredo	29.000c	29.000c	29.000c
Platinum, refined (per ounce)	$78.250	$77.667	$91.000
Zinc (per pound)—East St. Louis	11.500c	11.500c	10.000c
††Zinc, London, prompt (per long ton)	£82.722	£81.219	£74.301
††Zinc, London, three months (per long ton)	£82.023	£81.216	£73.835
†Cadmium, refined (per pound)	$1.70000	$1.70000	$2.00000
‡Cadmium (per pound)	$1.70000	$1.70000	$2.07500
§Cadmium (per pound)	$1.70000	$1.70000	$2.15000
Cobalt, 97%	$2.60000	$2.60000	$2.60000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	85.250c	85.250c
Silver, London (pence per ounce)	74.250	74.313	73.821
Sterling Exchange (Check)	$2.78764	$2.79434	$2.81074
Tin, New York Straits	88.649c	91.109c	84.644c
§§New York, 99% min.	87.649c	90.109c	83.644c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$319.538	$320.333	$185.923
Aluminum, 99% plus ingot (per pound)	22.200c	22.200c	21.500c
Magnesium ingot (per pound)	27.000c	27.000c	27.000c
**Nickel	64.500c	60.938c	60.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Dec.:			
Industrials (125)	4.09	4.29	5.54
Railroads (25)	4.89	5.43	7.43
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.50	4.60	5.28
Banks (15)	4.09	4.26	4.61
Insurance (10)	2.52	2.74	3.26
Average (200)	4.20	4.39	5.55
PORTLAND CEMENT (BUREAU OF MINES)—Month of October:			
Production (barrels)	25,887,000	25,549,000	24,738,000
Shipments from mills (barrels)	27,133,000	29,058,000	27,556,000
Stocks (at end of month-barrels)	9,655,000	10,890,000	10,049,000
Capacity used	104	106	103
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of November:			
Total operating revenues	$793,015,200	$804,392,236	$832,363,043
Total operating expenses	597,012,682	611,779,702	657,496,445
Operating ratio	75.28	76.05	78.99
Taxes	81,489,519	81,916,541	77,582,365
Net railway operating income before charges	94,118,054	90,875,194	78,526,183
Net income after charges (estimated)	76,000,000	76,000,000	60,000,000
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Oct. (000's omitted):			
Savings and loan associations	$765,251	$766,284	$658,417
Insurance companies	178,200	163,961	123,233
Bank and trust companies	392,839	383,209	319,874
Mutual savings banks	139,868	141,148	122,674
Individuals	248,493	250,070	251,176
Miscellaneous lending institutions	430,892	417,216	270,467
Total	$2,155,543	$2,121,888	$1,745,841
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Dec. 31	$278,783,756	$278,887,507	$275,243,758
General fund balance	5,179,536	7,303,761	4,576,528
Net debt	$273,604,220	$271,583,746	$270,665,230
Computed annual rate	2.291%	2.300%	2.414%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colbourne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

Continued from first page

Our Compulsory Old Age "Insurance"—An Actual Fraud

by Communist unions or no unions at all? Do you think that American opinion is definitely on the side of Federal tax-supported housing, that is automatically exempt from local taxation? Do you think the American people are united on a policy of keeping our immigration doors open to more and more unscreened foreign refugees? Are the American people agreed that more and more centralized power should be lodged in the Federal Government through Federal price fixing, Federal financial grants and Federal electric power development? Are the American people completely reconciled to the destruction of our Constitution and the loss of our sovereign national independence through the supremacy of treaties such as the United Nations Charter, the North Atlantic Pact or the South East Asian Treaty?

You know and I know that there is violent popular opposition to every one of these propositions. If all were submitted to popular vote one at a time, many of these proposals would be overwhelmingly voted down. But neither directly nor indirectly will the American people be given an opportunity to express themselves on these vital issues. Why? Because all of these propositions, and many, many more just as important and just as controversial, have been officially embraced by *both* political parties. Thus, for practical purposes, every one of these measures is now a political sacred cow. Bipartisanship is thus destroying the historic vitality of American elections. Even in the so-called crusade of 1952 more qualified voters stayed away from the polls than voted for either of the two presidential candidates. In the recent Congressional elections, the percentage of frustrated and apathetic stay-at-homes was greater than ever.

But surely our bipartisan Social Security package must be different. It says right on the cover in the words of the U. S. Department of Health, Education and Welfare, that "Social Security has been a part of American life since 1935. The 1954 amendments to the Social Security law extended and improved the Old Age and Survivors Insurance program that has become familiar to almost a generation of Americans. With these amendments, Federal Old Age and Survivors insurance has become a *more* effective weapon against family insecurity caused by old age or death." If this same misrepresentation of his product was made to you by a private insurance salesman, he would be subject to prosecution under an assortment of state and Federal laws.

Neither the Federal Social Security Act nor any of its amendments provides for "insurance," in the established meaning of that term between private companies and more than 75 million American policy holders. Insurance implies a contract between policyholder and insuring company in which definite payments at definite times are the legal obligations of both parties. The terms and conditions of Federal Old Age and Survivors Insurance, so-called, are not contractual between the Government and the prospective beneficiaries. Benefits, terms and conditions for benefits can be changed and have already been changed by the mere will of Congress.

Actually, this so-called Federal insurance, is a Congressionally established program of cash benefits for persons who meet conditions laid down from *time to time* by Congress. At the same time, Congress has established a system of payroll and self-employment taxation which *purports* to finance these benefit payments. As a package, this is a double-edged deception. The tax is notoriously insufficient to meet the reserve requirements of future benefits provided for, but it nevertheless produces immense sums in excess of *current* payments. The government uses this excess for foreign aid, battleships, highways, or numberless other things that have nothing to do with old age or death benefits.

From the standpoint of the beneficiary, here is how this so-called "insurance" works. If you are closely approaching age 65, and earning $4,200 or more annually, you may qualify for a retirement benefit of $108.50 monthly, through a payment of as little as $126.00 by yourself and an equal amount by your employer. Thus, for a total payment of $252.00 under a normal life expectancy, you will draw a total of $16,900 for yourself. Add in benefits for your wife under normal expectancies and for $252.00 you have purchased $27,800 from this so-called Federal insurance system.

Of course, if you are only 20 years of age, you must wait 45 years for your windfall, and if you are continuously employed, you and your employer would pay a total of $13,020 for the maximum expectancy benefit of $27,849.60. For the oldsters who now slip into the eligibility class a few years before retirement age, the system is of course a bonanza, plus the false but official assurance that they have paid for something which is in reality a government hand-out.

According to records made in 1953 hearings of the Social Security Subcommittee of the House of Representatives, 2,644,000 such persons, who were drawing primary retirement benefits at the end of 1952, *already* had received *ten* time as much in cash benefits as the amount of the O.A.S.I. taxes paid by them. It was then estimated that by the time these beneficiaries leave the rolls, they will have received 48 times as much in benefits as they have paid in O.A.S.I. taxes. Ask any honest insurance man what resemblance, if any, this system of payments bears to what the American people have come to know and respect as "insurance."

At the same time there were *87,200,000 living workers who had* paid O.A.S.I. taxes but who had not yet drawn benefits. What about these people? Are *you* one of these? Are adequate reserves being accumulated against the time when *you* and the rest of these people are scheduled to be on the receiving rather than the paying end?

On Dec. 31, 1952, there was in the so-called trust fund of this mis-called insurance system a book-keeping balance of $17,450,000,000. For ultimate payment to *those already on the rolls at that time*, $21,800,000,000 was required. After crediting interest payable to the fund on the government bonds it contained, the trust fund *was still $2 billion short* of enough to pay out those *already on the rolls in 1952*.

Since that time the situation has changed substantially for the worse. Thousands of new beneficiaries are now off the paying side and are over on the receiving end. Benefit payments and conditions for such payments have been liberalized in the 1954 amendments. It is now estimated that those already receiving benefits will require for ultimate payment, not $21,826,000,000 as in 1952, but *$75 billion* before death or other circumstances remove them from the rolls. In other words, current liabilities of the fund have increased more than $53 billion in two years. How much has the reserve fund increased? In May of this year, the reserve fund stood at $19,643,500,000. Thus current reserves increased less than $2.3 billion, while current *liabilities* increased $53 billion plus. This, my friends, is the Federal Old Age Insurance Company in which nine out of every ten employed persons in America are now legally forced to take out and pay for a *phony* insurance policy.

Under the 1954 amendments, the accrued liability of this huge coverage at the minimum estimate, is $250 billion. This is the amount that should now be on hand, if present liabilities of the program were fully founded, according to long legally established insurance standards. Instead of $250 billion, the O.A.S.I. system shows on its books a reserve of less than $20 billion. But now hold onto your hats! The sad fact of the matter is that actually there is *no* reserve fund *at all* in the O.A.S.I. system! As fast as a cash balance accumulates, it is lifted out and spent for the general expenses of the government. In place of this cash, the government puts its *own* I.O.U.'s—government bonds, that is, into the reserve fund. Instead of an asset therefore, the trust fund turns into an interest bearing liability.

If a private insurance company tried this stunt, it's responsible officers would end up in the penitentiary. As it is, the O.A.S.I. reserve fund is simply a part of the public debt, and on this part alone, all American taxpayers must pay $400 million a year in interest charges alone.

As insurance, the old age benefit and retirement system is a palpable fraud. It is a sugar-coated, emotionally-charged disguise for additionally discriminatory taxes against working men and women, which these workers would never consent to pay except for the official and fraudulent pretense that it is a bargain-basement benefit. It it were a bona fide bargain, it would be made voluntary instead of compulsory with a string of civil and criminal penalties for individual noncompliance.

It is ironical, to say the least, that the Social Security system is a convenience for a continuously unbalanced Federal budget. It thus promotes the larcenous practice of Federal deficit spending which has cut the value of our dollar in half since Federal Social Security was first established. At the accelerating rate of dollar devaluation, workers now under 35 years of age will draw their benefits, if any, when they are paid at all, in five and ten-cent dollars.

This is the wholesale humbug which the Democrats are proud to have instituted and the Republicans are even more proud to have extended. Like other vicious and logically indefensible policies, it has been insulated from critical examination by bipartisan endorsement.

If this swindle is continued, it *must* be extended to cover life, health, medicine and casualty insurance so as to gouge enough out of worker's *current* payrolls to pay mounting *current* costs.

Don't expect your poor Congressman to correct this situation. The Socialists have closed his mouth by putting this in the platform of both political parties and making it so sacred that no politician dares to criticize it. This is a job for mass public action. Labor unions and legitimate insurance companies must take the lead. Demand that this whole baffling ball of wax be submitted to a jury of scientific accounting actuaries from the 12 largest life insurance companies of the country. If this Social Security thing is as good as the bipartisans say it is, they certainly should not shrink from this objective, scientific examination. If the dollar you are saving is going to buy anything, you had better get busy. Start with your life insurance agent or your labor union president and go on from there.

Lehman-Blyth-Phelps, Fenn Investment Banking Group Awarded $118,060,000 Housing Bonds

Marks third time that dealer group was successful bidder for full amount of bonds included in the offering.

An investment banking group headed by Lehman Brothers, Blyth & Co., Inc. and Phelps, Fenn & Co. was the successful bidder on Jan. 11 for all of $118,060,000 New Housing Authority Bonds offered at sealed bidding by eight local housing authorities located in eight states. The following firms also are managers of the investment banking group: Smith, Barney & Co.; Shields & Company; The First Boston Corporation; Goldman, Sachs & Co.; Harriman Ripley & Co., Incorporated; and R. W. Pressprich & Co.

The purchase constituted the third clean sweep by the investment banking group of offerings of new housing authority bonds since the initial issue of the bonds in July, 1951. Including the current sale, a total of 12 offerings comprising $1,620,894,000 principal amount, has been made by housing authorities. Of the aggregate principal amount $1,177,084,000 principal amount, or approximately 73%, has been won by the investment banking group.

The group specified rates of 2¼% and 2⅜% for the bonds, which mature serially 1956-1995.

The bonds were reoffered to the public in three separate yield groups—Scales A, B, C,—at prices to yield from 0.75% to 2.55%.

Scale A ranges in yields from 0.75% to 2.40% and applies to bonds of the Pittsburgh, Pa. housing authority.

Scale B ranges in yields from 0.75% to 2.50% and is applicable to bonds of housing authorities in Los Angeles, Calif.; New Haven, Conn.; and St. Louis, Mo.

Scale C ranges in yields from 0.75% to 2.55% and applies to bonds of housing authorities in Chicago, Ill.; New York, N. Y.; Norfolk, Va.; and Charleston, W. Va.

Proceeds from the sale of the bonds will be used by the local housing authorities to retire loans from the Public Housing Administration (PHA) or others, and the balance of the proceeds will be used to meet additional costs of low-rent housing projects.

The bonds will be callable ten years from their date at 104% and accrued interest, and thereafter at decreasing call prices.

Interest on the bonds is exempt from Federal income taxes. The bonds are legal investments for savings banks and trust funds in New York and certain other states.

The bonds of each issue will be secured by a pledge of annual contributions unconditionally payable under an Annual Contributions Contract between the PHA and the local public housing authority issuing the bonds. The annual contributions will be payable in an amount which together with other funds of the local housing authority available for the purpose, will be sufficient to pay the principal of and interest on the bonds when due. The United States Housing Act of 1937, as amended, solemnly pledges the faith of the United States to the payment of the annual contributions by the PHA.

In addition to the nine managers the offering group includes the following members — Smith, Barney & Co.; Shields & Company; The First Boston Corporation; Goldman, Sachs & Co.; Harriman Ripley & Co. Incorporated; R. W. Pressprich & Co.; Drexel & Co.; Eastman, Dillon & Co.; Equitable Securities Corporation; Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corporation; White, Weld & Co.; Bear, Stearns & Co.; Union Securities Corporation; A. C. Allyn and Company Incorporated.

Alex. Brown & Sons; Coffin & Burr Incorporated; Estabrook & Co.; Ira Haupt & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; Lee Higginson Corporation; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; Reynolds & Co.; L. F. Rothschild & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; American Securities Corporation; Bacon, Stevenson & Co.; Baxter, Williams & Co.; A. G. Becker & Co. Incorporated; Braun, Bosworth & Co. Incorporated; Clark, Dodge & Co.

R. S. Dickson & Company Incorporated; First of Michigan Corporation; Gregory & Son Incorporated; Hirsch & Co.; Kean, Taylor & Co.; Wm. E. Pollock & Co., Inc.; Dean Witter & Co.; Wood, Struthers & Co.; Byrne and Phelps Incorporated; Courts & Co.; Francis I. duPont & Co.; Eldredge & Co. Incorporated.

Folger, Nolan-W. B. Hibbs & Co. Inc.; Geo. B. Gibbons & Company Incorporated; Hallgarten & Co.; E. F. Hutton & Company; W. E. Hutton & Co.; McDonald & Company; Laurence M. Marks & Co.; Roosevelt & Cross Incorporated; F. S. Smithers & Co.; Stern Brothers & Co.; Stroud & Company Incorporated; Tucker, Anthony & Co.; Chas. E. Weigold & Co. Incorporated, and Wertheim & Co.

The group submitted the following winning bids:

Name of Local Authority	Amount 000's Omitted	Interest Rate %	Bid
Los Angeles, Calif.	$15,655	2⅜	100.571
New Haven, Conn.	4,755	2⅜	101.230
Chicago, Ill.	21,425	2⅜	100.074
St. Louis, Mo.	21,600	2⅜	100.786
New York, N. Y.	30,495	2⅜	100.058
Pittsburgh, Pa.	15,715	2¼	100.167
Norfolk, Va.	2,345	2⅜	100.009
Charleston, W. Va.	6,070	2⅜	100.009

Erwin & Co. Forms

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—Erwin & Co. has been formed with offices in the Trust Building to engage in the securities business. Vera B. Council will be associated with the firm.

W. M. Dunn Co. Opens

(Special to THE FINANCIAL CHRONICLE)

DE KALB, Ill. — W. M. Dunn has formed W. M. Dunn & Co. with offices at 131 East Lincoln Highway to conduct a securities business.

Austin K. Smithwick To Be Moors & Cabot Partner

BOSTON, Mass. — On Jan. 13 Austin K. Smithwick will be admitted to partnership in Moors & Cabot, 111 Devonshire Street, members of the New York and Boston Stock Exchanges.

Wm. C. Roney To Admit

DETROIT, Mich. — On Jan. 14 William C. Roney, Jr., will become a partner in Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

• Aluminium Ltd.
Dec. 18 filed 904,314 shares of capital stock (no par) being offered for subscription by stockholders of record Jan. 7, 1955 at rate of one new share for each 10 shares held; rights to expire on Jan. 31. **Price**—$47.60 per share (United States funds) or $46 per share (Canadian dollars). **Proceeds**—For expansion program. **Dealer-Managers**—The First Boston Corp.; A. E. Ames & Co., Ltd.; Morgan Stanley & Co.; and White, Weld & Co.

Amcrete Corp., Briarcliff, N. Y.
Dec. 6 (letter of notification) 7,500 shares of 6% participating preferred stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Business**—Distributor of prefabricated concrete wall panels and buttresses made of steel reinforced dense concrete, etc. **Underwriter**—None.

American Duchess Uranium & Oil Co.
Dec. 9 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For uranium and oil activities. **Office**—Judge Bldg., Salt Lake City, Utah. **Underwriter**—Northern Securities, Inc., Seattle, Wash.

• American Steel & Pump Corp., N. Y. (1/20-21)
Nov. 24 filed $3,000,000 of 4% income bonds, series A, due Dec. 1, 1994. **Price**—$618.75 per $1,000 bond. **Proceeds** — To pay $55,000 of 6% collateral income notes and $100,000 demand notes; to pay Federal income tax liabilities and for working capital, etc. **Underwriter**—A. K. Benkert & Co., Inc., New York.

Anticline Uranium, Inc., San Francisco, Calif.
Oct. 28 (letter of notification) 2,970,000 shares of class A capital stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Office**—995 Market St., San Francisco, Calif. **Underwriter**—Coombs & Co., of Los Angeles, Inc., Los Angeles, Calif.

Appell Oil & Gas Corp., Alice, Texas
Dec. 1 (letter of notification) 8,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—To selling stockholder. **Office**—Appell Bldg., Alice, Tex. **Underwriter**—R. V. Klein & Co., New York.

Arctic Uranium Mines Ltd.
Oct. 28 (Regulation "D") 1,500,000 shares of common stock (no par value). **Price**—20 cents per share. **Proceeds**—For general corporate purposes. **Office** — 411 Childs Bldg., Winnipeg, Manitoba, Canada. **Underwriter**—De Gaetano Securities Corp., New York.

• Arizona Golconda Metals, Inc. (1/17-21)
Dec. 7 (letter of notification) 292,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office** — Kingman, Ariz. **Underwriter**—Baruch Brothers & Co., Inc., New York.

★ Arizona Public Finance Co., Phoenix, Ariz.
Dec. 30 (letter of notification) an undetermined number of shares of common stock (par 10 cents) to be offered to new policyhoders of Public Insurance Co. **Price**—20 cents per share. **Proceeds**—For expansion of loan and finance business. **Office**—1441 N. First St., Phoenix, Ariz. **Underwriter**—None.

Automatic Canteen Co. of America (1/27)
Dec. 28 filed 97,481 shares of common stock (par $5) to be offered for subscription by stockholders of record on or about Jan. 27, 1955 on the basis of one new share for each six shares held; rights to subscribe on or about Feb. 12. **Price**—To be determined shortly before the making of the offer. **Proceeds**—Together with other funds, to purchase 262,500 shares of common stock of The Rowe Corp. **Underwriter** — Glore, Forgan & Co., New York.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ Axe Science & Electronics Corp. (1/25-26)
Jan. 10 filed 2,500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For investment in the electronic and atomic fields. **Investment Advisor**—E. W. Axe & Co., Inc., New York. **Underwriters**—W. E. Hutton & Co., Hemphill, Noyes & Co. and Kidder, Peabody & Co., all of New York.

Beacon Associates, Inc., Providence, R. I.
Dec. 23 filed $600,000 5¾% 15-year sinking fund subordinated debentures due Jan. 1, 1970. **Price** — 100% and accrued interest. **Proceeds**—To redeem 6% convertible subordinated debentures due Sept. 1, 1967 presently outstanding and for expansion program. **Underwriter**—G. H. Walker & Co., Providence, R. I. **Offering** — Expected today or tomorrow (Jan. 13-14).

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Bikini Uranium Corp., Denver, Colo.
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office** — 705 First National Bank Bldg., Denver, Colo. **Underwriter**—I. J. Schenin Co., New York.

Blue Canyon Uranium, Inc.
Nov. 29 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining activities. **Offices** — 1003 Continental Bank Bldg., Salt Lake City, Utah, and 618 Rood Ave., Grand Junction, Colo. **Underwriter** — James E. Reed Co., Reno, Nev.

Continued on page 42

NEW ISSUE CALENDAR

January 13 (Thursday)
Missouri Pacific RR.______Equip. Trust Ctfs.
(Bids noon CST) $3,900,000

January 14 (Friday)
Citizens National Trust & Savings Bank of Los Angeles ______Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) $6,600,000
Consolidated Diesel Electric Corp.______Common
(Van Alstyne, Noel & Co.) $1,400,000
Missouri Utilities Co.______Common
(Offering to stockholders—underwritten by Edward D. Jones & Co.) 27,420 shares
State Fire & Casualty Co.______Common
(Offering to stockholders—underwritten by A. M. Kidder & Co.) 125,000 shares
Texcrete Structural Products Co.______Common
(Offering to stockholders of Texas Industries, Inc.—underwritten by Rauscher, Pierce & Co. and Russ & Co.) $1,052,337

January 17 (Monday)
Arizona Golconda Metals, Inc.______Common
(Baruch Brothers & Co., Inc.) $292,000
Canada General Fund (1954) Ltd.______Common
(Vance, Sanders & Co.) 1,990,000 shares
Colonial Acceptance Corp.______Debentures
(Straus, Blosser & McDowell and Fairman, Harris & Co., Inc.) $2,500,000
Duquesne Light Co.______Common
(Bids noon (EST) 450,000 shares
Hycon Mfg. Co.______Preferred
(Townsend, Graff & Co.) $1,200,000
Imperial Minerals, Ltd.______Common
(Milton D. Blauner & Co., Inc.) $298,800

January 18 (Tuesday)
Mid-Continent Uranium Corp.______Common
(General Investing Corp.) $625,000
New England Power Co.______Bonds
(Bids 11 a.m. EST) $25,000,000
Universal Major Corp.______Common
(Gearhart & Otis, Inc.) $150,000

January 19 (Wednesday)
Food Mart, Inc. ______Common
(Shearson, Hammill & Co.) 180,000 shares
Reading Co.______Equip. Trust Ctfs.
(Bids noon EST) $1,350,000
Toledo Edison Co.______Preferred
(The First Boston Corp. and Collin, Norton & Co.) $10,000,000
Toledo Edison Co.______Common
(The First Boston Corp. and Collin, Norton & Co.). 400,000 shares

January 20 (Thursday)
American Steel & Pump Corp.______Bonds
(A. K. Benkert & Co., Inc.) $3,000,000
Duquesne Light Co.______Preferred
(Bids 11 a.m. EST) $8,000,000
Northeastern Steel Corp.___Debentures & Common
(Estabrook & Co.) $9,200,000
United Artists Theatre Circuit, Inc.______Common
(Allen & Co.) 400,121 shares

January 21 (Friday)
Franklin Trust Co. of Paterson, N. J.____Common
(Bids 2 p.m. EST) 20,540 shares

January 24 (Monday)
British Western America Uranium Corp.___Common
(S. D. Fuller & Co.) $298,400
Income Fund of Boston, Inc.______Common
(Hayden, Stone & Co.) $6,000,000
Nipissing Mines Co., Ltd.______Common
(Offering to stockholders—underwritten by Allan H. Investments, Ltd.; Alator Corp., Ltd.; Louis A. Chesler; and Bradley Streit) $2,472,000

January 25 (Tuesday)
Axe Science & Electronics Corp.______Common
(W. E. Hutton & Co.; Hemphill, Noyes & Co.; and Kidder, Peabody & Co.) 2,500,000 shares
Bowl-Mor Co., Inc.______Preferred & Common
(Aetna Securities Corp.) $1,100,000
Consumers Power Co.______Bonds
(Bids 11 a.m. EST) $30,000,000
Rockland-Atlas National Bank______Common
(Offering to stockholders—underwritten by The First Boston Corp.) 37,500 shares
United States Plywood Corp______Debentures
(Eastman, Dillon & Co.) $25,000,000

January 26 (Wednesday)
Montreal (City of)______Debentures
(Bids to be invited) $35,000,000
Philadelphia Suburban Water Co.______Common
(Drexel & Co.) 206,000 shares

January 27 (Thursday)
Automatic Canteen Co. of America______Common
(Offering to stockholders—underwritten by Glore Forgan & Co.) 97,481 shares

January 28 (Friday)
General Homes, Inc.______Common
(S. D. Fuller & Co.) $1,500,000

February 1 (Tuesday)
Burroughs (J. P.) & Son, Inc.___Debens. & Common
(Eisele & King, Libaire, Stout & Co.) $830,000
Chesapeake & Potomac Telephone Co. of Baltimore City ______Debentures
(Bids to be invited) $25,000,000
Green Mountain Uranium Corp.______Common
(Tellier & Co.) $300,000

February 8 (Tuesday)
General Motors Corp.______Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.) approx. $325,000,000

February 14 (Monday)
Dallas Power & Light Co.______Debentures
(Bids 11 a.m. EST) $7,000,000
Sheraton Corp. of America______Debentures
(Paine, Webber, Jackson & Curtis) $5,000,000

February 15 (Tuesday)
Chesapeake & Colorado Uranium Corp.___Common
(Peter Morgan & Co.) $750,000
Kansas City Power & Light Co.______Bonds
(Bids to be invited) $16,000,000

February 23 (Wednesday)
Texas Electric Service Co.______Bonds
(Bids 11:30 a.m. EST) $17,000,000

March 15 (Tuesday)
Kansas Gas & Electric Co.______Bonds
(Bids to be invited) $10,000,000
Kansas Gas & Electric Co.______Preferred
(Bids to be invited) $6,000,000

April 15 (Friday)
Westpan Hydrocarbon Co.______Common
(May be Union Securities Corp.) 384,861 shares

May 10 (Tuesday)
Georgia Power Co.______Bonds
(Bids 11 a.m. EST) $12,000,000

May 31 (Tuesday)
Alabama Power Co.______Bonds
(Bids 11 a.m. EST) $15,000,000

November 9 (Wednesday)
Southern Co. ______Common
(Bids to be invited) 500,000 shares

Continued from page 41

Blue Jay Uranium Corp., Elko, Nev.
Oct. 15 (letter of notification) 1,000,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—402 Henderson Bank Bldg., Elko, Nev. **Underwriter**—Security Uranium Service, Inc., Moab and Provo, Utah.

Bowl-Mor Co., Inc., Everett, Mass. (1/25)
Nov. 26 filed 200,000 shares of preferred stock (par $1) and 200,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$5.50 per unit. **Proceeds**—To carry machine leases and finance manufacturing operations. **Business**—Manufactures and distributes by lease and sale, a bowling-pin setting machine. **Underwriter**—Aetna Securities Corp., New York.

British Western America Uranium Corp. (1/24)
Jan. 3 (letter of notification) 298,400 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Underwriter**—S. D. Fuller & Co., New York.

Burroughs (J. P.) & Son, Inc. (2/1)
Dec. 30 filed $500,000 of 6% convertible debentures and 80,000 shares of common stock (par $1). **Price**—100% and accrued interest for debentures and $4.12½ per share for stock. **Proceeds**—To repay bank loans and cash advances, for payment of income tax obligations, long-term notes and equipment contracts, to reduce accounts payable, increase inventories, purchase equipment and for construction. **Office** — Flint, Mich. **Underwriter** — Eisele & King, Libaire, Stout & Co., New York.

California Cold Storage & Distributing Co.
Dec. 14 (letter of notification) 1,500 shares of common stock. **Price**—At market (estimated at $25 per share). **Proceeds**—To selling stockholder. **Office**—825 Imperial Ave., San Diego 12, Calif. **Underwriter**—C. L. Wells & Co., Pasadena, Calif.

California Modular Homes, Inc.
Dec. 9 (letter of notification) 196,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For additions to plant and equipment and working capital. **Office** — 3808 22nd St., East Del Paso Heights, Calif. **Underwriter**—United Capital Co., Reno, Nev.

California Tuna Fleet, Inc., San Diego, Calif.
Sept. 29 filed $4,000,000 of 6% sinking fund debentures due 1966 and 160,000 shares of common stock (par five cents) to be offered in units of a $500 debenture and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For purchase from National Marine Terminal, Inc. of its undivided interest in 17 tuna clippers, subject to certain liabilities; for construction of four tuna clippers; and the balance for working capital and general corporate purposes. **Underwriter** — Barrett Herrick & Co., Inc., New York.

Canada General Fund (1954) Ltd. Toronto, Canada (1/17)
Dec. 27 filed 1,990,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Vance, Sanders & Co., Boston, Mass. **Investment Adviser**—Boston Management & Research Co., same city.

Canadian Petrofina, Ltd.
Dec. 20 filed 1,751,428 shares of non-cumulative participating preferred stock (par $10—Canadian) to be offered in exchange for shares of capital stock of Calvan Consolidated Oil & Gas Co., Ltd. at the rate of six preferred shares for each 17 Calvan shares. The offer is contingent to acceptance by not less than 51% of the outstanding Calvan stock. **Underwriter**—None.

Carnotite Development Corp.
Oct. 26 (letter of notification) 16,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—317 Main St., Grand Junction, Colo. **Underwriter**—Western Securities Corp., Salt Lake City, Utah.

Central Airlines, Inc., Fort Worth, Tex.
Oct. 26 (letter of notification) 150,000 shares of common stock (par 25 cents), to be offered for subscription by stockholders. **Price**—$1 per share. **Proceeds**—To purchase additional aircraft and equipment, setting up new stations, etc. **Office**—Meacham Field, Fort Worth, Tex. **Underwriter**—None.

Century Controls Corp.
Dec. 17 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For working capital. **Business** — Accessory control systems and components for aircraft interest, etc. **Office**—Allen Boulevard, Farmingdale, L. I., N. Y. **Underwriter**—None.

★ **Cessna Aircraft Co., Wichita, Kansas**
Dec. 31 (letter of notification) 4,200 shares of common stock (par $1). **Price**—At market (estimated at $18 per share). **Proceeds**—To Dwane L. Wallace, President, the selling stockholder. **Underwriter**—Harris, Upham & Co., Wichita, Kansas.

★ **Champion Paper & Fibre Co.**
Jan. 3 (letter of notification) interests in Champion Retirement and Disability Plan to be operated under Champion Retirement and Disability Trust (employees' contribution not to exceed $300,000 in one year); undesignated number of common stock (no par) to be purchased by trust. **Underwriter**—None.

Chesapeake & Colorado Uranium Corp. (2/15)
Dec. 7 filed 750,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Office** — Washington, D. C. **Underwriter**—Peter Morgan & Co., New York.

Chesapeake Industries, Inc.
Oct. 15 filed 996,304 shares of common stock (par $1) and 33,818 shares of $4 cumulative preferred stock (par $10) being offered in exchange for preferred and common shares of Home & Foreign Securities Corp. and Oils & Industries, Inc., common shares of common stock of Intercontinental Holdings, Ltd. and Intercoast Petroleum Corp. and capital stock of Colonial Trust Co. The offer is subject to deposit of not less than 90% of the stock of Colonial and not less than 80% of the stock of the first three companies mentioned above. The offer will expire on Jan. 27.

★ **Chesapeake & Potomac Telephone Co. of Baltimore City (2/1)**
Jan. 11 filed $25,000,000 of 40-year debentures Feb. 1, 1995. **Proceeds**—To redeem $15,000,000 of 3½% debentures due 1984 at 104.52% and accrued interest on March 7, 1955; to repay advances from American Telephone & Telegraph Co. and general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; White, Weld & Co. **Bids**—Expected to be received on Feb. 1.

Circle Air Industries, Inc.
Nov. 29 (letter of notification) 299,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds** — For machinery and equipment and working capital. **Name Change**—Company was formerly known as Paley Manufacturing Corp. **Office**—244 Herkimer Street, Brooklyn, N. Y. **Underwriter**—Allen E. Beers Co., Philadelphia, Pa.

Colonial Acceptance Corp. (1/17-18)
Dec. 20 filed $2,500,000 of 6% junior subordinated sinking fund debentures, series B, due Dec. 1, 1968, of which $1,529,550 principal amount will be offered in exchange for $1,390,500 of debentures due 1958 on the basis of $550 of new debentures for each $500 of debentures held. **Price**—At par. **Proceeds**—To retire junior subordinated sinking fund debentures which mature Dec. 1, 1958. **Underwriters**—Straus, Blosser & McDowell and Fairman, Harris & Co., Inc., both of Chicago, Ill.

Colorado Plateau Uranium Co.
Dec. 1 (letter of notification) 1,900,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining activities. **Office** — 824 Equitable Bldg., Denver 2, Colo. **Underwriter**—John L. Donahue, 430 16th St., Denver, Colo.

• **Consolidated Diesel Electric Corp. (1/14)**
Dec. 20 filed 350,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—To selling stockholders. **Business**—Designs, engineers and produces specialized lines of aircraft servicing and testing equipment and electrical generating equipment. **Office**—Stamford, Conn. **Underwriter** — Van Alstyne, Noel & Co., New York.

Consol. Edison Co. of New York, Inc.
April 7, 1954, filed $50,000,000 first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Constellation Uranium Corp., Denver, Colo.
Oct. 11 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For exploration and development expenses. **Office**—206 Mercantile Bldg., Denver, Colo. **Underwriter**—Petroleum Finance Corp., Oklahoma City, Okla.

Consumers Ice & Supply Co.
Dec. 21 (letter of notification) $300,000 of 6% 12-year registered debentures. **Price**—At par (in denominations of $100, $500 and $1,000). **Proceeds** — For equipment, working capital, etc. **Office** — 9th and Water Sts., Lebanon, Pa. **Underwriter**—None.

Consumers Power Co. (1/25)
Dec. 28 filed $30,000,000 of first mortgage bonds to mature Feb. 1, 1990. **Price**—Expected to be not less favorable to the company than a 3¼% basis. **Proceeds**—For expansion and improvement program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly). **Bids**—To be opened at 11 a.m. (EST) on Jan. 25 at office of Commonwealth Services Inc., 20 Pine St., New York, N. Y.

Contact Uranium, Mines, Inc., N. Y.
Dec. 7 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—100 West 42nd St., New York. **Underwriter**—Justin Steppler, Inc., New York.

Continental Loan Co., Dallas, Tex.
Dec. 22 (letter of notification) $150,000 of 4% 10-year debentures and 42,000 shares of common stock (par 10 cents) to be offered in units of $1,000 of debentures and 200 shares of stock; remaining 12,000 shares to be purchased by underwriter. **Price**—$1,400 per unit; and $2 per common share. **Proceeds**—To buy common stock of Budget and Mutual and for working capital. **Office**—815 Fidelity Union Life Bldg., Dallas, Tex. **Underwriter**—Securities Management Corp., same address.

★ **Cook Electric Co., Chicago, Ill.**
Dec. 31 (letter of notification) 2,000 shares of common stock (par $5). **Price**—At market (estimated at $34 per share). **Proceeds**—To selling stockholder. **Office**—2700 Southport Ave., Chicago 14, Ill. **Underwriter** — Glore, Forgan & Co., Chicago, Ill.

★ **Cuba (Republic of)**
Jan. 7 filed $2,500,000 of Veterans, Courts and Public Works 4% bonds due 1983. **Price**—To be supplied by amendment. **Proceeds** — To Romenpower Electra Construction Co., which received the bonds in payment for work preformed for the Republic or one of more of its agencies. **Underwriters**—To be named by amendment.

★ **De Vilbiss Co., Toledo, Ohio**
Dec. 30 (letter of notification) an estimated 1,000 shares of common stock (par $5). **Price**—At market (estimated not to exceed $35 per share). **Proceeds**—To stockholders entitled to receive fractional interests in connection with 25% stock dividend payable to common stockholders of record Jan. 7, 1955. **Underwriter** — None. **Dividend Agent**—Toledo Trust Co., Toledo, Ohio.

Demars Engineering & Manufacturing Corp.
Dec. 9 (letter of notification) 40,000 shares of 6% non-cumulative participating preferred stock (par $1) and 40,000 warrants representing rights to purchase 4,000 additional shares of preferred stock (each warrant allows for the purchase of one-tenth of a preferred share). **Price**—$1 per unit consisting of one preferred share and one warrant. **Proceeds** — For additional machinery and equipment, to pay current liabilities and for working capital. **Office** — 360 Merrimac St., Lawrence, Mass. **Underwriter**—Jackson & Co., Boston, Mass.

Desert Uranium Co., Salt Lake City, Utah
Oct. 18 (letter of notification) 2,000,000 shares of common stock **Price**—At par (15 cents per share). **Proceeds**—For exploration and development expenses. **Office**—524 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

Devil Canyon Uranium Corp., Moab, Utah
Nov. 8 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—21 Main St., Petersen Bldg., Maob, Utah. **Underwriter**—Melvin F. Schroeder, 501 Kittredge Bldg., Denver, Colo.

Duke Power Co.
Dec. 3 filed 218,737 shares of common stock (no par), to be offered for subscription by common stockholders of record Jan. 12, 1955 on the basis of one new share for each 20 shares held (with an oversubscription privilege); rights to expire Jan. 28. **Price**—$40 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

Duquesne Light Co. (1/17)
Dec. 21 filed 450,000 shares of common stock (par $10). **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Stone & Webster Securities Corp.; The First Boston Corp. and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly). **Bids**—To be received up to noon (EST) on Jan. 17, 1955 at 15 Broad St., New York, N. Y.

Duquesne Light Co. (1/20)
Dec. 21 filed 160,000 shares of preferred stock (par $50). **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (ES) on Jan. 20, 1955 at 15 Broad St., New York, N. Y.

East Tennessee Water Corp.
Dec. 20 (letter of notification) $160,000 of first mortgage 6% bonds dated Dec. 1, 1954. **Price** — At par (in denominations of $1,000 each). **Proceeds**—For purchase of real estate, capital improvements and contingencies. **Office**—306 E. Main St., Johnson City, Tenn. **Underwriter**—D. T. McKee Investment Co., Box 904, Bristol, Va.

El Morocco Enterprises, Inc., Las Vegas, Nev.
Dec. 29 filed $6,000,000 of 8% sinking fund debenture bonds due July 1, 1967, and 1,950,000 shares of common stock (par 10 cents), each purchaser of bonds to have the right to purchase common stock at par at rate of 10 shares for each $100 of bonds up to $9,900 of debenture bonds purchased, with amount of shares increasing in proportion to amount of bonds purchased. **Price**—100% of principal amount for bonds. **Proceeds**—To pay balance of purchase price of Las Vegas Hotel, Inc. capital stock, construction of main hotel building, pavilions, swimming pool, furnishings, etc. **Underwriter**—Company may sell debenture bonds and common stock to dealers through brokers.

★ **Electronics Co. of Ireland**
Jan. 6 filed 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For machinery and building and working capital. **Office** — 407 Liberty Trust Bldg., Philadelphia, Pa. **Underwriter**—None.

Electronics Investment Corp., San Diego, Calif.
Dec. 14 filed 2,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—For investment.

Eula Belle Uranium, Inc.
Oct. 18 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—506 First Security Bank Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

Exhibitors Film Financial Group, Inc., New York
Dec. 10 filed 100,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter**—None. Samuel Pinanski, of Bos-

n, Mass., President of American Theatres Corp., will be resident of Exhibitors.

Farm & Home Loan & Discount Co.
ov. 29 filed 320,000 shares of class A common stock ar 25 cents), 214,285 shares of class B common stock ar 35 cents) and 300,000 shares of class C common ock (par 50 cents). **Price** — At par. **Proceeds** — For orking capital. **Office**—Phoenix, Ariz. **Underwriter**—one.

Financial Credit Corp., New York
n. 29 filed 250,000 shares of 7% cumulative sinking nd preferred stock. **Price**—At par ($2 per share). **Pro-eds**—For working capital. **Underwriter**—E. J. Foun-in & Co., Inc., New York.

Food Mart, Inc., El Paso, Tex. (1/19)
ec. 21 filed 180,000 shares of common stock (par $2), which 50,000 shares are to be offered by company nd 130,000 shares by selling stockholders. **Price**—To be pplied by amendment (about $10-$11 per share). **Pro-eds**—Together with other funds, to be used to redeem bordinated income debentures and to purchase capital ock of Del Norte Frozen Foods, Inc. **Underwriter**—earson, Hammill & Co., New York.

Gatineau Uranium Mines Ltd. (Canada)
ug. 10 (Regulation "D") 300,000 shares of common stock. rice—At par ($1 per share). **Proceeds**—For explora-on and development costs. **Office** — 100 Adelaide St est, Toronto, Canada. **Underwriter**—McCoy & Willard, oston, Mass.

Gem Uranium & Oil Co., Salt Lake City, Utah
ec. 9 (letter of notification) 11,000,000 shares of capital ock (par one cent). **Price**—Two cents per share. **Pro-eds**—For exploration and development of oil and ura-ium properties. **Office** — 414 Judge Bldg., Salt Lake ity, Utah. **Underwriter**—Utah Uranium Brokers, same ty.

● **General Homes, Inc. (1/28)**
ec. 15 filed 300,000 shares of common stock (par $1). rice—$5 per share. **Proceeds**—For plant expansion, new quipment, inventory and working capital. **Office**—untington Station, L. I., N. Y. **Underwriter**—S. D. Ful-r & Co., New York.

General Services Life Insurance Co.
ept. 14 filed 50,000 shares of class A common stock ar $1). **Price**—$10 per share. **Proceeds**—For general orporate purposes. **Office**—Washington, D. C. **Under-riter**—None.

★ **General Telephone Co. of California**
an. 10 filed $12,000,000 of first mortgage bonds, series due Feb. 1, 1985. **Price**—To be supplied by amend-ent. **Proceeds**—To discharge bank loans and for prop-rty additions and improvements. **Underwriter**—To be etermined by competitive bidding. Probable bidders: alsey, Stuart & Co. Inc.; Paine, Webber, Jackson & urtis and Stone & Webster Securities Corp. (jointly); uhn, Loeb & Co. and Salomon Bros. & Hutzler jointly); White, Weld & Co. and Kidder, Peabody & o. (jointly).

Globe Hill Mining Co., Colorado Springs, Colo.
ov. 18 (letter of notification) 3,000,000 shares of com-on stock (par one cent). **Price**—1¾ cents per share. roceeds—For mining purposes. **Office**—336 Independ-nce Bldg., Colorado Springs, Colo. **Underwriter**—Al. J. ohnson, same city.

★ **Graybar Electric Co., Inc., New York**
an. 5 filed 115,000 shares of common stock (par $20) o be offered to employees pursuant to company's Stock urchase Plan dated Feb. 1, 1955; also voting trust cer-ificates covering these shares. **Proceeds**—For working apital and to increase inventory. **Underwriter**—None.

● **Green Mountain Uranium Corp. (2/1)**
ov. 30 (letter of notification) 2,000,000 shares of com-on stock (par one cent). **Price**—15 cents per share. roceeds—For mining activities. **Office**—618 Rood Ave., rand Junction, Colo. **Underwriter**—Tellier & Co., Jer-ey City, N. J.

★ **Guardian Mutual Fund, Inc., New York**
an. 10 filed 70,000 shares of common stock. **Price**—At arket. **Proceeds**—For investment.

Gulf States Utilities Co.
ay 14 filed 160,000 shares of preferred stock (par $100). roceeds — To redeem 50,000 shares of $4.50 dividend referred stock, 60,000 shares of $4.40 dividend preferred ock, 1949 series, and 50,000 shares of $4.44 dividend referred stock at the prevailing redemption prices of 105, $105, and $105.75, respectively. **Underwriter**—To e determined by competitive bidding. Probable bid-ers: Stone & Webster Securities Corp.; Lehman rothers and Equitable Securities Corp. (jointly); Kuhn, oeb & Co.; Glore, Forgan & Co. and W. C. Langley & o. (jointly). **Bids**—Had tentatively been expected to be eceived up to 11:30 a.m. (EDT) on June 15 at The anover Bank, 70 Broadway, New York, N. Y., but of-ering has been postponed.

Gulf States Utilities Co.
ay 14 filed $24,000,000 of first mortgage bonds due une 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅝% irst mortgage bonds due 1981 and $10,000,000 of 3⅝% irst mortgage bonds due 1983, and for general corpo-ate purposes. **Underwriter**—To be determined by com-etitive bidding. Probable bidders: Halsey, Stuart & o. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fen-er & Beane and White, Weld & Co. (jointly); Salo-on Bros. & Hutzler and Union Securities Corp.; Kuhn, oeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee igginson Corp. and Carl M. Loeb, Rhoades & Co. jointly); Stone & Webster Securities Corp. **Bids**—Had entatively been expected to be received up to 11 a.m. EDT) on June 15 at The Hanover Bank, 70 Broadway, ew York, N. Y., but offering has been postponed.

Gunsite Butte Uranium Corp.
Oct. 25 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—36 West Broadway, Salt Lake City, Utah. **Underwriter**—Melvin G. Flegal & Co., same address.

Highland Uranium, Inc., Casper, Wyo.
Dec. 13 (letter of notification) 6,000,000 shares of common stock (par two cents). **Price**—Five cents per share. **Proceeds** — For exploration and development expenses. **Office**—208 Turner-Cottman Bldg., Casper, Wyo. **Underwriter** — Casper Brokerage Co., Inc., Henning Hotel Bldg., Casper, Wyo.

Hilton Hotels Corp., Chicago, Ill.
Dec. 23 filed $7,978,900 of 15-year convertible debentures, due Jan. 1, 1970, and $31,915,600 of 15-year debentures due Jan. 1, 1970, to be offered to certain holders and former holders of common stock of Hotels Statler Co., Inc. on the basis of $10 principal amount of convertible debentures and $40 principal amount of non-convertible debentures for each common share held. **Price**—At 100% of principal amount. **Proceeds**—To prepay bank loan and for working capital. **Underwriter**—None.

Hycon Mfg. Co., Pasadena, Calif. (1/17-21)
Dec. 17 filed 120,000 shares of 5½% cumulative convertible non-participating preferred stock. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes, including capital improvements and working capital. **Business** — Designs, develops, manufactures and sells special and general purpose electronic test equipment, etc. **Underwriter**—Townsend, Graff & Co., New York.

● **Imperial Minerals, Ltd. (Canada) (1/17)**
Nov. 23 (Regulation "D") 830,000 shares of common stock (par $1). **Price**—36 cents per share. **Proceeds**—For mining activities. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Income Fund of Boston, Inc. (1/24-28)
Dec. 2 filed 800,000 shares of common stock (par $1). **Price**—To be supplied by amendment (expected at $10 per share). **Proceeds**—For investment. **Underwriter**—Hayden, Stone & Co., New York.

★ **Industrial Hardware Manufacturing Co., Inc.**
Jan. 4 (letter of notification) up to 15,000 shares of common stock (par 50 cents). **Price**—At market (about $3.25 per share). **Proceeds**—Louis Offerman, Vice-President, the selling stockholder. **Office** — 109 Prince St., New York. **Underwriter**—None.

International Spa, Inc., Reno, Nev.
Nov. 23 filed 12,000 shares of common stock (no par). **Price**—$500 per share. **Proceeds**—For land, construction, working capital, etc. **Underwriter**—None.

★ **Investors Stock Fund, Inc., Minneapolis, Minn.**
Jan. 10 filed 1,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Investors Group Canadian Fund Ltd., Winnipeg, Canada
Dec. 13 filed 3,000,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For investment principally in stocks of Canadian industries. **Organized**—In November 1954 by Investors Diversified Services, Inc., as a special type of mutual investment company. **Underwriter**—None.

Justheim Petroleum Co., Salt Lake City, Utah
Dec. 9 (letter of notification) 2,650,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For oil and mining expenses. **Office**—318 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Hunter Securities Corp., New York.

Kemper Thomas Co., Cincinnati, Ohio
Nov. 5 (letter of notification) 10,000 shares of common stock (par $10) to be offered for subscription by stockholders first, then to public. **Price**—$16.50 per share. **Proceeds**—For working capital. **Office**—Norwood Park, Cincinnati, O. **Underwriter**—None.

Lee Finance Co., Minneapolis, Minn.
Nov. 3 (letter of notification) 13,000 shares of preferred stock (par $10) and $170,000 of 8% subordinate notes due five years from date of issue. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Office**—305 Northwestern Federal Bldg., Minneapolis, Minn. **Underwriter**—Daniels & Smith.

Liberty Oil & Uranium Co., Denver, Colo.
Nov. 19 (letter of notification) 2,900,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For oil and mining activities. **Office** — 250 Equitable Bldg., Denver, Colo. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., same city.

Life Insurance Investors, Inc., N. Y.
Dec. 17 filed 1,000,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For investment. **Business**—A diversified management investment company. **Underwriters**—White, Weld & Co., New York, and J. C. Bradford & Co., Nashville, Tenn. **Offering**—Expected latter part of January.

Lincoln Uranium Corp., Reno, Nev.
Nov. 5 (letter of notification) 5,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—206 N. Virginia St., Reno, Nev. **Underwriter**—McCoy & Willard, Boston, Mass.

Lucky-Custer Mining Corp.
Dec. 7 (letter of notification) 50,967 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining operations. **Office**—329 Yates Bldg., Boise, Ida. **Underwriter**—Ernest Leroy Bevis, 1414 Arthur St., Caldwell, Ida.

★ **Lucky Strike Uranium Corp.**
Jan. 4 (letter of notification) 4,300,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—38 South Main St., Salt Lake City, Utah. **Underwriter**—Seaboard Securities Corp., Washington, D. C.

Magic Uranium Co., Inc., Salt Lake City, Utah
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For development and exploration costs. **Office**—529 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—I. J. Schenin Co., New York.

Marine Midland Corp., Buffalo, N. Y.
Dec. 9 filed 403,082 shares of 4% cumulative preferred stock being offered for subscription by common stockholders of record Jan. 5, 1955, on the basis of one preferred share for each 18 shares of common stock held. Rights will expire on Jan. 24. **Price**—At par ($50 per share). **Proceeds**—For investment in additional capital stock of subsidiary bank, to repay bank loans and for other corporate purposes. **Underwriters**—The First Boston Corp.; Union Securities Corp.; Schoellkopf, Hutton & Pomeroy, Inc.; and Granbery, Marache & Co.

Merritt-Chapman & Scott Corp.
Dec. 21 filed 3,018,567 shares of common stock (par $12.50) to be offered in exchange for outstanding stock of New York Shipbuilding Corp., Devoe & Raynolds Co., Inc., Newport Steel Corp., Marion Power Shovel Co., Osgood Co. and Tennessee Products & Chemical Corp. on the following basis: 675,549 shares to holders of the 540,439 outstanding shares of common stock (par $5) of Tennessee Products & Chemical Corp., at the rate of 1¼ shares for each share of common stock of Tennessee; 755,105 shares to holders of the 453,063 outstanding shares of class A stock (par $2) of Devoe & Raynolds Co., Inc. at the rate of 1⅔ shares for each share of class A stock of Devoe; 242,700 shares to holders of the 182,025 outstanding shares of class B common stock (par $1) of Devoe, at the rate of 1⅓ shares for each of class B common stock of Devoe; 1,290,252 shares to holders of the 1,290,252 outstanding shares of common stock (par $1) of New York Shipbuilding Corp., at the rate of one share for each share of common stock of N. Y. Shipbuilding; 27,907 shares to holders of the 58,605 outstanding shares of common stock (par $1) of Newport Steel Corp., not owned by Merritt, at the rate of one share for each 2.1 shares of common stock of Newport; 26,114 shares to holders of the 17,409 outstanding shares of common stock (par $10) of Marion Power Shovel Co., not owned by Merritt, at the rate of 1½ shares for each share of common stock of Marion; and 940 shares to holders of the 1,410 outstanding shares of class B common stock (without par value) of the Osgood Co., not owned by Merritt or Marion, at the rate of one share for each 1½ shares of class B common stock of Osgood.

Mi-Ame Canned Beverages Co., Hialeah, Fla.
Oct. 28 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase raw materials and new machinery, and for working capital. **Underwriter** — Frank D. Newman & Co., Miami, Fla.

● **Mid-Continent Uranium Corp. (1/18)**
Nov. 26 filed 1,562,500 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds**—For exploratory operations, machinery and equipment, and for working capital and unforeseen contingencies. **Underwriter**—General Investing Corp., New York.

Military Investors Financial Corp.
Dec. 1 (letter of notification) 150,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—2310 Main St., Houston, Texas. **Underwriter**—Cobb & Co., Inc., same city.

Minneapolis Gas Co.
Dec. 30 filed 184,523 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each eight shares held. **Price**—To be supplied by amendment. **Proceeds**—For additions to property. **Underwriter**—Kalman & Co., Inc., St. Paul, Minn.

★ **Missouri Natural Gas Co.**
Jan. 6 filed 120,336 shares of common stock (par $2.50), of which 114,000 shares are to be for account of company, and 6,336 shares for account of selling stockholder. **Price**—To be supplied by amendment (expected around $8 per share). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

● **Missouri Utilities Co. (1/14)**
Dec. 20 filed 27,420 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each 10 shares held (with an oversubscription privilege), about Jan. 14 for a 12-day standby. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Dealer-Manager** — Edward D. Jones & Co., St. Louis, Mo.

Monte Cristo Uranium Corp., Moab, Utah
Oct. 5 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., 139 North Virginia St., Reno, Nev.

★ **Montezuma Uranium, Inc., Denver, Colo.**
Jan. 5 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development operations. **Office**—Ernest and Cranmer Bldg., Denver, Colo. **Underwriter**—Investment Service Co., same city.

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Montreal (City of), Canada (1/26)
Dec. 30 filed $35,000,000 of 1955 U. S. currency issue debentures due serially Jan. 1, 1956-1974. **Proceeds**—To pay for new construction, improvements, etc. **Underwriter**—To be named by amendment. Shields & Co., Halsey, Stuart & Co. Inc. and Savard & Hart won last issue at competitive sale. Other groups who bid were: Kuhn, Loeb & Co., Glore, Forgan & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co., Union Securities Corp. and Blyth & Co., Inc.; Lehman Brothers. **Bids**—Expected Jan. 26.

Nash Finch Co., Minneapolis, Minn.
Dec. 6 (letter of notification) 1,000 shares of common stock. **Price**—At maximum of $18.50 per share. **Proceeds**—To Willis King Nash, the selling stockholder. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn.

• **National Can Co.**
Dec. 22 filed $4,500,000 of 5% convertible subordinate income debentures due Jan. 1, 1976, of which $4,380,400 principal amount are being offered for subscription by common stockholders of record Jan. 11 on the basis of $100 of debentures for each 23 common shares held; rights to expire on Jan. 26. The remaining $119,600 of debentures were publicly offered. **Price**—At 100% of principal amount. **Proceeds**—Together with other funds, to acquire stock of Pacific Can Co., to pay off indebtedness of Pacific, to complete Pacifics planned expansion program and for working capital. **Underwriters**—Bear Stearns & Co. and A. C. Allyn & Co. Inc., both of New York.

New Britain Gas Light Co.
Dec. 15 (letter of notification) 8,572 shares of common stock (par $25) being offered for subscription by stockholders of record Jan. 3 at rate of one new share for each seven shares held; rights to expire Jan. 25. **Price**—$26 per share. **Proceeds**—To repay bank loans. **Office**—35 Court St., New Britain, Conn. **Underwriter**—None.

New England Power Co. (1/18)
Dec. 13 filed $25,000,000 of first mortgage bonds, series F, due Jan. 1, 1985. **Proceeds**—To purchase properties from Connecticut River Power Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 18, 1955 at 441 Stuart St., Boston, Mass.

New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

• **New York Shipbuilding Corp.**
Dec. 6 filed 74,925 shares of common stock (par $1) being offered in exchange for 374,624 shares of common stock (par five cents) of Highway Trailer Co. at rate of one share of Shipbuilding stock for each five shares of common stock of the Trailer company.

Nipissing Mines Co. Ltd., Toronto, Canada (1/24)
Jan. 3 filed 1,200,000 shares of common stock (par $1—Canadian) to be offered as "speculative" securities for subscription by common stockholders of record Jan. 24, 1955, on a share-for-share basis. **Price**—$2 (Canadian) and $2.06 (U. S.) per share. **Proceeds**—For payment of options, development of properties, and for machinery and equipment. **Underwriters** — Allan H. Investments, Ltd.; Alator Corp., Ltd.; Louis A. Chesler; and Bradley Streit; all of Toronto, Canada.

• **Northeastern Steel Corp. (1/20)**
Dec. 31 filed $4,600,000 of 6% subordinated debentures, series A, due Feb. 1, 1975; 920,000 shares of common stock (par $1); and common stock purchase warrants for 276,000 shares of additional common stock. These securities are to be offered in 92,000 units, each unit consisting of a $50 registered debenture, 10 shares of common stock and a warrant to purchase three shares of common stock at $8.33⅓ per share payable in cash or debentures at par. **Price**—$100 per unit. **Proceeds**—To expand mill, to meet short-term loans borrowed in acquiring that plant at Bridgeport, Conn., and for general corporate purposes. **Office** — Bridgeport, Conn. **Underwriter**—Estabrook & Co., Boston, Mass., and New York, N. Y.

Northern California Plywood, Inc.
Sept. 13 filed 300 shares of common stock (par $5,000) and 5,000 shares of 5% cumulative participating preferred stock (par $100). **Price**—At par. **Proceeds**—To purchase properties of Paragon Plywood Corp. and purchase of raw materials. **Office** — Crescent City, Calif. **Underwriter**—None. Sales to be made through Raymond Benjamin Robbins.

Onego Corp., Uniontown, Pa.
Dec. 8 filed 150,000 shares of capital stock (par $1). **Price**—$3.50 per share. **Proceeds**—To repay bank loans and indebtedness to company officials; to pay balance of purchase price of New Mexico property; to purchase equipment and wells; and for working capital. **Underwriter** — Langley-Howard, Inc., Pittsburgh, Pa., on a "best-efforts" basis.

★ **Orradio Industries, Inc., Opelika, Ala.**
Dec. 23 (letter of notification) 75,000 shares of common stock (par 25 cents), issuable upon exercise of warrants. **Price**—$2 per share. **Proceeds**—For working capital. **Office**—Marvyn Road, Opelika, Ala. **Underwriter**—S. D. Fuller & Co., New York.

Paraderm Laboratories, Inc.
Nov. 12 (letter of notification) 250,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—415 Congress St., Portland, Me. **Underwriter** — Sheehan & Co., Boston, Mass.

Paramount Uranium Corp., Moab, Utah
Oct. 7 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—325 Main St., Moab, Utah. **Underwriter**—Van Blerkom & Co., Salt Lake City, Utah.

Pay Day Uranium Co., Las Vegas, Nev.
Oct. 15 (letter of notification) 2,500,000 shares of capital stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—230 Fremont St., Las Vegas, Nev. **Underwriter**—Allied Underwriter Co., the same city.

Pennsylvania Power & Light Co.
Dec. 2 filed 65,455 shares of common stock (no par); 858 shares of 4.40% cumulative preferred stock (par $100); 5,378 shares of 3.35% cumulative preferred stock (par $100); and 4,032 shares of 4½% cumulative preferred stock (par $100) being offered in exchange for securities of The Scranton Electric Co. on the following basis: (a) one share of Pennsylvania common stock for each two shares of Scranton common stock; (b) one share of Pennsylvania 4.40% series preferred stock for each share of Scranton 4.40% cumulative preferred stock; and (c) one share of Pennsylvania 3.35% series preferred stock for each share of Scranton 3.35% cumulative preferred stock, or, at the election of the Scranton shareowners, for each share of Scranton's 3.35% cumulative preferred stock, two shares of Pennsylvania's common stock, or for each lot of four shares of Scranton 3.35% cumulative preferred stock, three shares of Pennsylvania's 4½% preferred stock. Pennsylvania owns approximately 91% of the preferred stock and 91% of the common stock of Scranton. Statement effective Dec. 22.

Petroleum Reserves, Inc., New York
Dec. 27 filed $7,500,000 of 4% debentures due 1970, 100,000 shares of 5% preferred stock (par $25) and 1,000,000 shares of common stock (par 10 cents) to be offered in units of $75 principal amount of debentures, one share of preferred stock and 10 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For acquisition of properties. **Underwriter**—William A. M. Burden & Co., New York.

★ **Philadelphia Suburban Water Co. (1/26)**
Jan. 5 filed 206,000 shares of common stock (par $7.50), of which 106,000 shares are to be sold for account of certain selling stockholders and 100,000 shares by company. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—Drexel & Co., Philadelphia, Pa.

Phillips Screw Co., New York
Dec. 3 (letter of notification) an undertermined number of shares of capital stock (par 10 cents) being offered for subscription by stockholders of record Dec. 16 on the basis of one new share for each 4½ shares held (with an oversubscription privilege); rights to expire on Jan. 14. **Price**—$3.75 per share. **Proceeds**—For working capital of subsidiary. **Office** — 580 Fifth Ave., New York 36, N. Y. **Underwriter**—None. **Subscription Agent**—United States Trust Co., New York.

Poly-Seal Corp.
Dec. 8 (letter of notification) 40,000 shares of capital stock (par 10 cents) being offered for subscription by stockholders on a one-for-five basis for a period of 30 days from Dec. 29. **Price**—$1.75 per share. **Proceeds**—For machinery and equipment and working capital. **Business** — Manufactures and sells plastic screw-cap closures. **Office** — 405 Lexington Avenue, New York, N. Y. **Underwriter**—None.

• **Public Service Electric & Gas Co.**
Dec. 22 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for construction program. **Underwriters**—Morgan Stanley & Co.; Drexel & Co.; and Glore, Forgan & Co. **Offering** — Temporarily delayed.

Rainier Telephone Co., Rainier, Wash.
Dec. 14 (letter of notification) $35,000 of 5½% 20-year sinking fund bonds due Dec. 1, 1979. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To purchase assets of Methow Valley Telephone Co., refund mortgage debt, and for working capital. **Underwriter**—Wm. P. Harper & Son & Co., Seattle, Wash.

★ **Red Lane Calcareous Sinter Co., Inc.**
Jan. 3 (letter of notification) 150,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—Probably for production of agricultural mineral and mining operations. **Office**—Thermopolis, Wyo. **Underwriter** — None, sales to be made through officers and directors.

Resort Airlines, Inc., Miami, Fla.
Oct. 21 (letter of notification) 1,190,000 shares of common stock (par 10 cents) being offered to minority stockholders on the basis of one new share for each two shares held of record Oct. 26, 1954. Resort Airlines, Inc. (Del.), parent, has the right to purchase up to 84% of the offer. **Price**—20 cents per share. **Proceeds**—To reduce accounts payable and for working capital. **Address**—Box 242, International Airport, Miami, Fla. **Underwriter**—None.

Rolon Tire Chain Corp., Denver, Colo.
Oct. 27 (letter of notification) 60,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For increased inventory, working capital, sales and production expenses, etc. **Office**—150 Tejon St., Denver, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., same city.

★ **Royce Chemical Co.**
Jan. 4 (letter of notification) 500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—Carlton Ave., Carlton Hill, N. J. **Underwriter**—None.

Rushmore Uranium & Oil Corp.
Dec. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses of uranium and oil properties. **Office**—618 6th St., Box 8, Rapid City, S. D. **Underwriter**—Philip Gordon & Co., Inc., New York.

Salt Lake Hardware Co., Salt Lake City, Utah
Dec. 30 (letter of notification) 4,062 shares of common stock (par $10), to be first offered to employees who are not stockholders; then to stockholders; and any unsubscribed shares after Feb. 4, 1955 to public. **Proceeds**—To restore to working capital amount expended for acquisition of these securities. **Office**—105 N. Third West St., Salt Lake City, Utah. **Underwriter** — J. A. Hogle & Co., same city.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). Price—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V. Klein Co. and McGrath Securities Corp., both of New York.

★ **San Miguel Uranium Mines, Inc.**
Jan. 6 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For mining operations. **Office** — Mineral Bldg., Grand Junction, Colo. **Underwriter** — Tellier & Co., Jersey City, N. J.

Seven Up Bottling Co. of Los Angeles, Inc.
Dec. 14 filed 19,767 shares of capital stock (no par) to be offered for subscription by common stockholders of record Jan. 10, 1955 at rate of one new share for each four shares held. **Price**—$32.50 per share. **Proceeds**—For expansion program. **Underwriter** — Quincy Cass Associates, Los Angeles, Calif.

Silver Pick Uranium, Inc., Reno, Nev.
Nov. 22 (letter of notification) 2,994,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—211-206 N. Virginia Street, Reno, Nev. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

Slick Rock Uranium Development Corp.
Oct. 8 (letter of notification) 2,900,000 shares of common stock (par five cents), including shares for option to underwriter and prior property owner to be amended. **Price**—10 cents per share. **Proceeds**—For development and exploration expenses. **Office**—Newhouse Hotel, Salt Lake City, Utah. **Underwriter** — Van Blerkom & Co., same city.

Solomon Uranium & Oil Corp., Inc.
Oct. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Offices** — 506 Beason Bldg., Salt Lake City, Utah, and 1016 Baltimore Bldg., Kansas City, Mo. **Underwriter**—E. R. Bell & Co., Kansas City, Mo.

★ **South Texas Oil & Gas Co.**
Dec. 31 (letter of notification) 107,611 shares of common stock (par 10 cents). **Price**—At market (estimated at $1.75 per share). **Office**—Wilson Tower, Corpus Christi, Texas. **Underwriter**—None.

★ **Stanley Aviation Corp.**
Jan. 5 (letter of notification) 13,000 shares of common stock (par 10 cents). **Price**—At market (not exceeding $20 per share). **Proceeds**—For working capital. **Office**—Buffalo Municipal Airport, Buffalo 25, N. Y. **Underwriter**—None, but Stanley Aviation Co., Denver, Colo., will receive subscriptions.

Stanley Aviation Corp.
Dec. 14 (letter of notification) 10,500 shares of common stock (par 10 cents). **Price**—$16.66 per share. **Proceeds**—For working capital. **Office**—Buffalo 25, N. Y. **Underwriter**—None.

• **State Fire & Casualty Co., Miami, Fla. (1/14)**
Dec. 23 filed 125,000 shares of class A non-voting common stock (par $1) to be offered for subscription by holders of class A and class B common stocks at rate of one new share for each two shares held as of Jan. 13; rights to expire Jan. 27. **Price**—$3.75 per share. **Proceeds**—To enable company to expand its business. **Underwriter**—A. M. Kidder & Co., New York, N. Y. and Miami, Florida.

★ **Stewart Uranium Drilling Co., Inc.**
Jan. 3 (letter of notification) 500,000 shares of class A stock (par one cent). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—Citizens National Bank & Trust Bldg., Baytown, Texas. **Underwriter**—General Investing Corp., New York.

Stinnes (Hugo) Corp., New York
Nov. 22 filed $6,000,000 of notes and an unspecified number of shares of common stock (par $5) to be offered in units of $1,000 of notes and an unspecified number of common shares. **Price**—To be supplied by amendment. **Proceeds**—For retirement of 7% debentures of Hugo Stinnes Industries, Inc., due 1946. **Underwriters**—Halsey, Stuart & Co. Inc. and A. G. Becker & Co. Inc., Chicago and New York. Statement to be withdrawn. Financing done in Germany.

Superior Uranium Co., Las Vegas, Nev.
Sept. 1 (letter of notification) 29,910,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For development and exploration costs. **Office**—Medical Arts Bldg., Las Vegas, Nev. **Underwriter**—Uranium Brokers, Inc., the same city.

★ **Swedes Uranium Corp., Salt Lake City, Utah**
Jan. 5 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Guss & Mednick Co., same city.

Sytro Uranium Mining Co., Inc., Dallas, Texas
Sept. 9 (letter of notification) 2,975,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development of properties. **Office** — 1406 Life of America Building, Dallas, Texas. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Tarbell Mines, Ltd. (Canada)
Sept. 24 (Regulation "D") 599,760 shares of common stock (par $1—Canadian). **Price**—50 cents per share.—U. S. funds. **Proceeds**—For exploration and development expenses and acquisition of property. **Underwriter**—H. J. Cooney & Co., New York.

★ **Television-Electronics Fund, Inc., Chicago, Ill.**
Jan. 7 filed (by amendment) 4,000,000 additional shares of common stock. **Price**—At market. **Proceeds**—For investment.

Temple Mountain Uranium Co.
Oct. 7 (letter of notification) 3,500,000 shares of common stock (par 2½ cents). **Price** — 3 cents per share. **Proceeds**—For exploration and development expenses. **Office**—39 Exchange Place, Salt Lake City, Utah. **Underwriter**—Walter Sondrup, same city.

Texas International Sulphur Co.
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers Brothers, New York, on a "best efforts" basis.

● **Texcrete Structural Products Co. (1/14)**
Dec. 14 filed 350,779 shares of common stock (par 10 cents) to be offered for subscription by stockholders of Texas Industries, Inc. of record Dec. 10, 1954 at rate of one share Texcrete for each share of Texas Industries then held. **Price**—$3 per share to stockholders and $3.50 to public. **Proceeds**—For expansion and general corporate purposes. **Underwriters**—Rauscher, Pierce & Co., Inc., Dallas, Tex., and Russ & Co., San Antonio, Tex. **Offering**—Expected this week for a 14-day standby.

★ **Thatcher Glass Manufacturing Co., Inc.**
Jan. 3 (letter of notification) 400 shares of common stock (par $5). **Price**—At market. **Proceeds**—To selling stockholder. **Office**—1901 Grand Central Ave., Elmira, N.Y. **Underwriter**—None.

★ **Theatrical Subsidiaries, Inc.**
Jan. 4 (letter of notification) 125,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital, etc. **Office** — 598 Madison Ave., New York 22, N. Y. **Underwriter**—Jay W. Kaufman & Co., same city.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—For mining activities. **Office**—206 N. Virginia St., Reno, Neb. **Underwriter**—Stock, Inc., Salt Lake City.

T. M. T. Trailer Ferry, Inc.
Nov. 23 (letter of notification) $295,000 of 5½% convertible debentures due Dec. 1, 1960 and 29,500 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit. **Proceeds**—To purchase equipment to retire $50,000 of notes and for working capital.

Toledo Edison Co. (1/19)
Dec. 29 filed 400,000 shares of common stock (par $5) and 100,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—The First Boston Corp., New York, and Collin, Norton & Co., Toledo, Ohio.

★ **Top Notch Uranium & Mining Corp.**
Jan. 5 (letter of notification) 4,000,000 shares of common stock (par two cents). **Price** — Five cents per share. **Proceeds** — For exploration and development expenses. **Office**—94 North Main St., Smithfield, Utah. **Underwriter**—Lewellen-Bybee, Inc., Washington, D. C.

★ **Trans Caribbean Airways, Inc.**
Jan. 5 (letter of notification) 5,000 shares of class A common stock (par 10 cents). **Price**—**At market** (about $2.62½-$2.87½ per share). **Proceeds**—To O. Roy Chalk, President, who is the selling stockholder. **Office**—160 Central Park South, New York 19, N. Y. **Underwriter**—None.

Trans-Continental Uranium Corp.
Oct. 1 (letter of notification) 2,990,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—358 S. 3rd St. East, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., same city.

Turf Paradise, Inc., Phoenix, Ariz.
Nov. 12 filed 83,334 shares of common stock (par $10) and 83,334 shares of preferred stock (par $20) to be offered in units of one share of each class of stock. **Price**—$30 per unit. **Proceeds**—To construct racing plant and to repay obligations. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Ucolo Uranium Co., Salt Lake City, Utah
Sept. 13 (letter of notification) 2,800,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office**—906 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Western Securities Corp., the same city.

Uintah Uranium, Inc., Salt Lake City, Utah.
Oct. 5 (letter of notification) 15,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration and development costs. **Office**—424 Judge Bldg., Salt Lake City, Utah. **Underwriter**—James E. Reed Co., same city.

● **United Artists Theatre Circuit, Inc. (1/20-26)**
Dec. 29 filed 400,121 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for working capital. **Underwriter**—Allen & Co., New York.

● **United States Plywood Corp. (1/25)**
Dec. 22 filed $25,000,000 of 25-year sinking fund debentures due Jan. 1, 1980. **Price**—To be supplied by amendment. **Proceeds**—To redeem $15,000,000 of outstanding debentures and for other corporate purposes. **Underwriter**—Eastman, Dillon & Co., New York.

★ **Universal Broadcasting System, Inc., Detroit, Mich.**
Jan. 3 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For expansion of current operations and plant, etc. **Office**—8000 Grand River, Detroit, Mich. **Underwriter**—None

● **Universal Major Corp. (Nev.) (1/18-19)**
Dec. 21 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To retire indebtedness and for working capital, etc. **Business**—Manufacture of major home appliances. **Office**—67 East 59th St., New York, N. Y. **Underwriter**—Gearhart & Otis, Inc., New York.

Universal Petroleum Exploration & Drilling Corp.
Oct. 4 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For cost of Driller Boy (drilling equipment which company rents out), and working capital. **Office**—c/o Edwin J. Dotson, attorney-at-law, Simon Bldg., 230 Fremont St., Las Vegas, Nev. **Underwriter**—Robert B. Fisher Investments, 510 South Fifth St., Las Vegas, Nev.

Urainbow, Inc., Salt Lake City, Utah
Aug. 31 (letter of notification) 2,000,000 shares of common stock (par two cents). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses. **Office**—908 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Austin B. Smith Brokerage Co., the same city.

Uranium Discovery & Development Co., Wallace, Idaho
Nov. 16 (letter of notification) 1,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For core drilling program upon two groups of claims. **Address**—Box 709, Wallace, Idaho. **Underwriter**—Wallace Brokerage Co., same city.

Uranium Royalties, Inc., Rapid City, S. Dak.
Dec. 27 (letter of notification) 1,165,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For mining expenses, etc. **Office**—626 Sixth St., Rapid City, S. D. **Underwriter**—Wendell E. Kindley & Co., same address.

Uranium Shares, Inc., Denver, Colo.
Dec. 22 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—3038 Wyandot St., Denver, Colo. **Underwriters**—Kamp & Co., Fred W. Miller & Co. and Mile High Securities Co., all of Denver, Colo.

Utaco Uranium, Inc., Salt Lake City, Utah
Oct. 7 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Office**—420 Felt Building, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

Utah Apex Uranium Co.
Oct. 18 (letter of notification) 3,000,000 shares of capital stock (par three cents). **Price**—Six cents per share. **Proceeds**—For exploration and development expenses. **Office**—430 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid-Continent Securities, Inc., same city.

Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—1818 Beverly Way, Las Vegas, Nev. **Underwriter**—First Western Securities, same city.

Vulcan-Uranium Mines, Inc., Wallace, Idaho
Oct. 15 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For expenses incident to mining operations. **Address**—P. O. Box 289, Wallace, Idaho. **Underwriter**—Alden J. Teske, d/b/a Wallace Brokerage Co., Samuels Hotel, Wallace, Idaho.

★ **Washington & Wyoming Oil Co., Sheridan, Wyo.**
Jan. 7 (letter of notification) 1,960 shares of 7% cumulative preferred stock (par $100) and 196,000 shares of common stock (no par) to be offered in units of one preferred and 100 common shares. **Price** — $100 per unit. **Proceeds**—For expenses incident to oil activities. **Offices**—Sheridan, Wyo., and Port Angeles, Wash. **Underwriter**—None.

Wenga Copper Mines, Inc., N. Y.
Nov. 18 (Regulation "D") 900,000 shares of common stock (par five cents). **Price**—30 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Willis E. Burnside & Co., New York.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

Wilco Oil & Minerals Corp.
Nov. 2 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to oil activities. **Office** — 728 Columbus St., Rapid City, S. D. **Underwriter**—Fenner-Streitman & Co., New York.

Woodland Oil & Gas Co., Inc.
Dec. 21 (letter of notification) 299,900 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For equipment, drilling expenses and working capital. **Office**—42 Broadway, New York, N. Y. **Underwriter**—E. M. North Co., Inc., same address.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—323 Newhouse bldg., Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

● **Wynn Pharmacal Corp.**
Dec. 23 (letter of notification) 85,000 shares of class B common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds** — For production, development and sale of company's products, working capital and other corporate purposes. **Office**—5119 West Stiles St., Philadelphia, Pa. **Underwriter**—Charles A. Taggart & Co., same city.

Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., Salt Lake City, Utah.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

Prospective Offerings

★ **Alabama Power Co. (5/31)**
Dec. 30 it was announced company plans to issue and sell $15,000,000 first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); The First Boston Corp.; Lehman Brothers; Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on May 31. **Registration**—Scheduled for May 4.

★ **Central Maine Power Co.**
Dec. 31, W. F. Wyman, President, stated that company plans to issue and sell some additional common stock, par $10 (probably to stockholders). **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly).

Central & Southwest Corp.
Sept. 2 it was reported company plans issue and sale of between 500,000 to 600,000 additional shares of common stock, probably first to stockholders. **Underwriter**—May be determined by competitive bidding. Probable bidders; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly). **Offering**—Not expected until early in 1955.

● **Chicago & Eastern Illinois RR.**
Dec. 29 the ICC approved plan to offer $15,336,480 of 5% income debentures due Jan. 1, 2054, in exchange, par for par, for the outstanding 383,412 shares of class A stock (par $40). The offer expires Jan. 21, 1955.

● **Chicago, Rock Island & Pacific RR.**
Jan. 11, J. D. Farrington, President, announced that the directors have authorized the issue and sale of not more than $65,000,000 of 40-year income debentures. **Proceeds**—To redeem its outstanding preferred stock (about 640,-000 shares). **Underwriters**—If by competitive bidding,

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bidders may include: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers, Lazard Freres & Co. and Bear, Stearns & Co. (jointly).

Citizens National Trust & Savings Bank of Los Angeles (1/14)
Dec. 6 it was announced bank plans to issue to stockholders of record Jan. 11 the right to subscribe for 200,000 additional shares of new common stock (par $10) on the basis of two new shares for each five shares held (after proposed stock split to be voted on Jan. 11); rights to expire on Feb. 14. **Price**—$33 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. Public offering of $2,000,000 bonds expected early in 1955. **Underwriter** — Tellier & Co., Jersey City, N. J.

Dallas Power & Light Co. (2/14)
Dec. 8 it was reported company plans to issue and sell $7,000,000 of debentures due 1980. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Lehman Brothers; Union Securities Corp. and Wertheim & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc. and Merrill, Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co. **Registration**—Scheduled for Jan. 14. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 14.

First Bank Stock Corp., Minneapolis, Minn.
Dec. 21 it was announced corporation plans to offer 361,922 additional shares of capital stock to its stockholders on basis of one new share for each eight shares held. **Price**—To be determined at time of offering (stockholders meeting will be held Feb. 16 to approve issue). **Proceeds**—To increase capital structures of affiliated banks. **Underwriter**—Blyth & Co., Inc., New York.

★ Florida Power Corp.
Dec. 31 it was reported company plans to offer to its stockholders about 232,000 additional shares of common stock on a 1-for-10 basis in May or June 1955. **Underwriters**: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

★ Florida Power Corp.
Dec. 31 it was reported company may issue and sell late in 1955 about $10,000,000 of first mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; and The First Boston Corp.

★ Franklin Trust Co. of Paterson, N. J. (1/21)
Jan. 6, William H. Dillistin, Chairman of the Trustees of the Segregated Assets of this company, announced that approximately 20,540 shares of capital stock (par $10), and in any even not less than 20,000 shares (out of 30,000 shares presently outstanding) will be offered at public auction at 2 p.m. (EST) on Jan. 21 in the Passaic County Court House at Paterson, N. J. The starting bid is not to be less than $28 per share.

● General Motors Corp. (2/8)
Jan. 3 it was announced company plans to offer to common stockholders additional commn stock on basis of one new share for each 20 shares held (at last accounts 88,513,817 shares were outstanding); rights to expire about March 17. **Price**—To be determined shortly before offering. **Proceeds**—About $325,000,000 for capital expenditures and working capital. **Underwriter** — Morgan Stanley & Co., New York. **Registration**—Expected about Jan. 20, for signing about Feb. 7.

★ Georgia Power Co. (5/10)
Dec. 30 it was announced company plans to issue and sell $12,000,000 of first mortgage bonds due 1985. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on May 10. **Registration**—Scheduled for April 13.

Harvard Brewing Co., Lowell, Mass.
Dec. 31 the Alien Property Office of the Justice Department said it is anticipated that the government's holdings of 345,760 shares of capital stock (par $1), out of 625,000 shares outstanding, will be offered for sale early in 1955.

Holly Corp., New York
Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing by Holly Uranium Corp. has been arranged to be followed by a public offering early in 1955 after which Holly Corp. plans to distribute part of its holdings of Holly Uranium Corp. stock to its stockholders.

Kansas City Power & Light Co. (2/15)
Sept. 15 it was announced that company plans to sell $16,000,000 first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp. **Bids**—Expected to be received on Feb. 15, 1955.

Kansas Gas & Electric Co. (3/15)
Dec. 23 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1985. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly). **Bids**—Expected March 15.

Kansas Gas & Electric Co. (3/15)
Dec. 23 it was reported company plans sale of 60,000 shares of preferred stock (par $100). **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Blyth & Co. Inc.; Union Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Tentatively expected March 15.

M and M Wood Working Co.
Dec. 27 it was announced company's National Tank & Pipe division will enter the plastic pipe business on a production basis on or about March 15. Plans for financing a substantial addition to the company's plant in Portland's Kenton district have been approved by the directors and construction will begin immediately. **Underwriter**—Kidder, Peabody & Co., New York, underwrote previous public financing.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

● Missouri Pacific RR. (1/13)
Bids will be received by the company up to noon (CST) on Jan. 13 for the purchase from it of $3,900,000 equipment trust certificates, series ZZ, to be dated Feb. 1, 1955 and to mature $260,000 annually to and including Feb. 1, 1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; and Kidder, Peabody & Co.

New England Telephone & Telegraph Co.
Oct. 19 it was announced company proposes to offer to its stockholders of record March 1, next, 511,205 additional shares of capital stock (par $100) on a 1-for-5 basis. American Telephone & Telegraph Co., its parent, owns about 69% of presently outstanding shares. **Proceeds**—To repay temporary borrowings. **Underwriter**—None.

North Penn Gas Co.
Dec. 17 it was announced 420,000 shares of common stock (par $5) will soon be offered to public. **Price**—To be named later. **Proceeds**—To The Post Publishing Co., publisher of The Boston Post. **Underwriter**—Eastman, Dillon & Co., New York. **Registration**—Expected early in January.

★ Pacific Northwest Pipe Line Corp.
Dec. 20, C. R. Williams, President, announced that it is planned to offer publicly $16,800,000 of 6% interim notes and 280,000 shares of common stock (par $1) in units of $60 principal amount of notes and 10 shares of stock. **Price** — $70 per unit. **Proceeds** — Together with other funds, to finance construction of a 1,400-mile natural gas pipeline between Ingancio, Colo., and Sumas, Wash., on the Canadian border. In addition, 1,659,200 shares of common stock would be offered for subscription by present stockholders who already own 700,000 shares. **Underwriter**—White, Weld & Co.; Kidder, Peabody & Co.; Dominion Securities Corp.; Union Securities Corp. **Offering** — Expected to be completed in first half of February, 1955.

Pacific Power & Light Co.
Oct. 19 stockholders approved a proposal to authorize 200,000 additional preferred stock of $100 par value, which are to be sold in series. **Proceeds**—For new construction. **Offering**—Not imminent.

Peninsular Telephone Co.
Oct. 19 stockholders approved proposal to increase authorized preferred stock from 600,000 shares to 1,000,000 shares and the authorized common stock from 1,500,000 to 2,000,000 shares. **Underwriters** — Last financing was handled by Morgan Stanley & Co. and Coggeshall & Hicks. Not imminent.

★ Porter-Cable Machine Co., Syracuse, N. Y.
Jan. 7, De Alton J. Ridings, President, announced that the company is planning to issue a new block of common stock (no par value) to finance further expansion in the United States and Canada. **Underwriter**—William N. Pope, Inc., Syracuse, N. Y.

Public Service Co. of Oklahoma
Nov. 11 it was reported that company plans to issue and sell 100,000 shares of new preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co. **Offering**—Expected in first half of 1955.

Reading Co. (1/19)
Bids will be received by the company up to noon (EST) on Jan. 19 for the purchase from it of $1,350,000 equipment trust certificates, series W, due semi-annually to and including Feb. 1, 1970. Probable bidders: Hals[ey,] Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bl[air,] Rollins & Co., Incorporated; Kidder, Peabody & Co.

Rockland-Atlas National Bank, Boston (1/25)
Dec. 15 it was announced company plans (followi[ng] 2-for-1 stock split) to offer stockholders of record J[an.] 25 the right to subscribe for 37,500 additional shares captial stock (par $10) on the basis of one new sh[are] for each 5 14/15 shares held; rights to expire on Feb. **Price**—To be named later. **Proceeds**—To increase ca[p]ital and surplus. **Underwriter**—The First Boston Co[rp.,] New York.

Sheraton Corp. of America (2/14-18)
Dec. 13 it was reported company may be planning s[ale] of $5,000,000 of debentures (with warrants). **Underwri[ter]**—Paine, Webber, Jackson & Curtis, Boston, Mass.

★ Southern Co. (11/9)
Dec. 30 it was announced company plans to issue a[nd] sell to the public 500,000 additional shares of comm[on] stock (par $5). **Proceeds**—To repay bank loans and investment in additional stock of subsidiary compani[es.] **Underwriter**—To be determined by competitive b[id]ding. Probable bidders: The First Boston Corp., Lade[n]burg, Thalman & Co., Carl M. Loeb, Rhoades & Co. a[nd] Wertheim & Co. (jointly); Blyth & Co., Inc., Be[ar,] Stearns & Co. and Dean Witter & Co. (jointly); Uni[on] Securities Corp. and Equitable Securities Corp. (jointl[y);] Lehman Brothers; Morgan Stanley & Co.; Kidder, Pe[a]body & Co., and Merrill Lynch, Pierce, Fenner & Bea[ne.] **Bids**—Tentatively scheduled for Nov. 9. **Registratio[n]** Not expected until Oct. 12.

Southern Nevada Power Co.
Nov. 12 it was announced company plans to issue ad[di]tional common stock early in 1955. **Underwriter[s]** Hornblower & Weeks, William R. Staats & Co. and Fi[...] California Co.

Texas Electric Service Co. (2/23)
Dec. 20 it was reported company plans to issue and s[ell] $17,000,000 of first mortgage bonds due 1985. **Procee[ds]**—To redeem $7,000,000 3⅝% bonds and for constructi[on] program. **Underwriter**—To be determined by compe[ti]tive bidding. Probable bidders: Halsey, Stuart & Co. In[c.;] The First Boston Corp.; Kuhn, Loeb & Co., Blyth C[o.] Inc. and Lehman Brothers (jointly); Salomon Bros.[&] Hutzler; Kidder, Peabody & Co. and Merrill Lyn[ch,] Pierce, Fenner & Beane (jointly); Union Securit[ies] Corp.; Hemphill, Noyes & Co. and Drexel & Co. (joi[nt]ly). **Bids**—Tentatively expected to be received up [to] 11:30 a.m. (EST) on Feb. 23. **Registration** — Schedu[led] for Jan. 21.

★ Textron Incorporated, Providence, R. I.
Jan. 6 filed an application for qualification of a tr[ust] indenture pursuant to which $21,392,595 of 15-year [...] subordinated sinking fund debentures due Feb. 1, 1[...] are to be issued to stockholders of American Wool[en] Co., in a statutory merger of said American Woolen [...] and Robbins Mills, Inc., into Textron.

● Transcontinental Gas Pipe Line Corp.
Nov. 24 Tom P. Walker, President, announced that [...] construction program for 1955 and replacement of ba[nk] borrowings made in 1954 wil require financing duri[ng] 1955 of about $85,000,000. It is planned to offer publi[c] in either March or April $10,000,000 to $12,000,000 [...] preferred stock, about $60,000,000 of bonds will be s[old] later this year. **Underwriter**—White, Weld & Co. a[nd] Stone & Webster Securities Corp.

● Union Trust Co. of Maryland
Jan. 6 stockholders of record Jan. 6 were given the ri[ght] to subscribe on or before Jan. 24 for 100,000 additio[nal] shares of capital stock (par $10) on the basis of o[ne] new share for each 10 shares held. **Price**—$33 per sha[re.] **Proceeds**—To increase capital and surplus. **Underwrit[ers]**—Alex Brown & Sons; Baker, Watts & Co.; John [C.] Legg & Co.; Stein Bros. & Boyce; Robert Garrett [&] Sons; Mead, Miller & Co.; Baumgartner, Downing [&] Co.; George G. Shriver & Co., Inc.; and Simon [...] Block & Son.

Utah & Idaho Uranium, Inc., Kellogg, Ida.
Sept. 7 Lester S. Harrison, President, announced t[hat] the company contemplates obtaining funds to initi[ate] its uranium mining operations in Utah by the sale to t[he] public of its unissued treasury stock. This financing w[ill] follow completion of the company's current drilling pr[o]gram.

Virginia Electric & Power Co.
Nov. 1 it was reported company may issue and sell $2[...] 000,000 to $25,000,000 of first mortgage bonds some ti[me] next Spring. **Underwriter**—To be determined by co[m]petitive bidding. Probable bidders: Halsey, Stuart & C[o.] Inc.; Union Securities Corp.; Stone & Webster Securit[ies] Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzl[er;] White, Weld & Co.

Western Light & Telephone Co., Inc.
Nov. 24 it was announced company plans to issue a[nd] sell $3,000,000 first mortgage bonds due 1985 and ab[out] 40,000 additional shares of common stock (the latter [to] stockholders on a 1-for-10 basis). **Proceeds**—For co[n]struction program. **Underwriters**—May be Dean Wit[ter] & Co. and The First Trust Co. of Lincoln, Neb. **Off[er]ing**—Expected in January. Bonds may be sold pu[b]licly or privately, depending on market conditions.

Westpan Hydrocarbon Co. (4/15)
Dec. 11 it was reported Sinclair Oil Corp. will ask [...] bids for 384,861 shares of Westpan stock about April [...] 1955, if it has not been able to dispose of these holdin[gs] before that date. **Underwriter**—Union Securities Cor[p.,] New York, underwrote recent sale of Sinclair's holdin[g] of Colorado Interstate Gas Co. White, Weld & Co., N[ew] York, may be included among the bidders.

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The Security I Like Best

nership deals with the Federal Government are being worked up.

Last year saw the beginning of the St. Lawrence River Project, which in five short years will provide a major source of new hydro-electric power. The cost of the combined power and seaway is estimated at over one billion dollars and is expected to furnish 13 billion new kilowatt hours of electricity.

This is only the beginning of the full development of the vast potential hydro-power available throughout the United States. It is reasonable to assume that one of the principal beneficiaries of this dynamic trend will be S. Morgan Smith. Its hydro-turbines are found in virtually every government hydro-electric project. It furnished turbines for TVA and 14 turbines for the McNary Dam. S. Morgan Smith turbines may be found in operation in all parts of the world.

Nevertheless, the bulk of the company's business since the war has come from privately owned electric power companies. The expansion planned by these companies is expected to make a major contribution towards making the next decade for S. Morgan Smith the greatest ever.

The Unusual in Hydrodynamics

Building hydraulic turbines is far different from making turbo-generators. The latter are standard while hydraulic turbines are custom-built for no two bodies of water are alike. Almost every job going through S. Morgan Smith's plants is engineered.

Visitors to S. Morgan Smith's plant at York, Pa., are amazed at the enormous size of its machine tools and equipment. The company's 100-man engineering team combined with its facilities for making giant size products requiring precision workmanship and close tolerance, are opening new avenues of revenue.

S. Morgan Smith has made equipment for the Atomic Energy Commission which has been installed in two atomic projects and further expansion in this field is contemplated.

The company has designed and built several of the world's largest flow compressors. The largest of the compressors is used in a supersonic wind tunnel, and is capable of an inflow of 4.3 million cubic feet of air per minute with a 150,000 horsepower drive.

High speed Rotovalves made by S. Morgan Smith fully open and close in one-tenth of a second against water flowing at pressure of 3,260 pounds to the square inch. Valves of this type have wide application in the handling of water, sewage, air, petroleum and chemicals.

Because a ship's propeller is somewhat similar to a hydro-turbine blade, S. Morgan Smith recently found itself in the ship propeller business. Its engineers have designed and developed an adjustable pitch ship propeller which is gaining recognition in maritime circles. As recently as October, 1954, the company announced that the Maritime Administration's $11 million Liberty Ship conversion and engine improvement program would include some propulsion innovations incorporating S. Morgan Smith's adjustable pitch propellers.

Family Ownership

Nineteen-fifty-two marked a real milestone in the company's history, when 100,000 share of its capital stock were offered for public subscription. Prior to this stock offering, it was a family-owned business. The Smith family and officers of the company still own around 70% more or less, of the 395,240 shares of $10 par common stock outstanding. The balance of the stock is publicly owned. Traded over-the-counter, the stock is currently quoted at 25¼ bid, 26¼ asked.

The company has no preferred stock outstanding. The '53 year end balance sheet showed long-term debt to consist of $3.5 million of 4% notes, payable at the rate of $245,000 annually through to 1967 and a $37,000 mortgage payable at the rate of $7,500 a year until November, 1958. Current assets of $9.8 million were 2½ times current liabilities of $4 million.

Since the $1.00 current annual dividend rate, plus 25 cents extra paid last year represents only about one-third of estimated current earnings, a very substantial portion of earnings are being reinvested back into the business, to form a sound and broad base for continued earnings growth. It is probable and not unreasonable, to expect that 1955 dividend disbursements may be larger than in 1954.

The S. Morgan Smith Company has an impressive 77-year record of recognized integrity and experience in the field of hydrodynamics. The future is even brighter, as the company now appears to be standing on the threshold of accelerated growth, which could last through the next ten years.

COMING EVENTS

In Investment Field

Jan. 14, 1955 (Philadelphia, Pa.)
Philadelphia Securities Association annual meeting and election of officers.

Jan. 14, 1955 (New York, N. Y.)
Bond Club of New York dinner at the Starlight Roof, Waldorf-Astoria.

Jan. 17, 1955 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia 25th anniversary dinner in the Mirage Room of the Barclay Hotel.

Jan. 24, 1955 (Chicago, Ill.)
Bond Traders Club of Chicago annual winter dinner at the Furniture Club.

Jan. 28, 1955 (Baltimore, Md.)
Baltimore Security Traders Association annual Mid-Winter Dinner at the Lord Baltimore Hotel.

Feb. 25, 1955 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual dinner at the Benjamin Franklin Hotel.

Mar. 11, 1955 (New York, N. Y.)
New York Security Dealers Association 29th Annual Dinner at the Biltmore Hotel.

March 23-25, 1955 (Pittsburgh, Pa.)
Association of Stock Exchange Firms meeting of Board of Governors.

April 24-27, 1955 (Houston, Tex.)
Texas Group Investment Bankers Association spring meeting at the Shamrock Hotel.

May 8-10, 1955 (New York City)
National Federation of Financial Analysts Societies at the Hotel Commodore.

Our Reporter's Report

Either the customary January reinvestment demand is slow in materializing or investors did a lot of anticipatory buying prior to the year-end, judging from the current sluggishness of the new issue market.

The several corporate offerings that have made their appearance since the turn of the year have hardly turned in performances destined to set the world afire. Quite the opposite they have been decidedly on the slow side.

It may be that the behavior of the government market has been weighing a bit heavily one investors as they attempt to shape their ideas. Heaviness persisted this week to a degree that tended to revive talk of the possibility of a long-term government offering.

Such discussion is recurrent, naturally, each time the government market turns reactionary. But up to here it has been a case of which came first the chicken or the egg? In other words whether the market's action stirs up the talk or whether such ideas actually prompt the selling.

Whichever is the case, the effect has been to dampen such enthusiasm as investors may have developed. Logically if a long government issue is in the offing, institutions would be inclined to put aside a part of their funds against such an offering.

Meanwhile at least one prospective issuer, Public Service Electric & Gas Co. decided to delay its proposed offering of 250,000 shares of $100 par preferred stock pending more propitious market conditions.

Duke Power 3s

Duke Power Co., received a price of 100.17 for its $40,000,000 of 20-year bonds to carry a 3% interest rate. The successful banking group repriced this issue, rated "AAA" at 100.751 for public offering, to yield 2.95%.

Here, again, the effort to break through the 3% yield barrier proved something of a handicap. But the 20-year maturity of the bonds naturally provided something of an offset to dip through this mythical line, with the result that initial demand prompted the sale of between 50% and 60% of the issue.

Nickel Plate Debentures

With only two groups bidding for the issue, New York, Chicago & St. Louis Railroad's $36,000,000 of debentures brought a top tender of 99.55 for a 4½% coupon rate. The second bid was 101.10 for a 4⅝% coupon.

The debentures were repriced at 100¾ for an indicated yield of 4.45%. Carrying a 35-year maturity this issue attracted good demand in certain investment quarters.

Proceeds from this financing will be used to retire outstanding 6% cumulative preferred stock, with a consequent substantial saving to the company.

Commonwealth Edison

Commonwealth Edison Co.'s $50,000,000 of new 50-year debentures brought out three bids ranging from 99.20 for a 3⅛% coupon down to 101.21 for a 3¼% rate.

Reoffered at 100 to yield the coupon rate, the issue was reported on the slow side, at least for the moment. Accordingly, it appears just as well that the corporate calendar is thin for the near term.

Coming up on the calendar for next week is New England Power Co.'s $25,000,000 of new first mortgage bonds to be followed in the ensuing week, on Jan. 25 by Consumers Power Co.'s projected offering of $30,000,000 of first mortgage bonds.

Bay Securities Corp. Offers Uranium Shares

Bay Securities Corp., New York, is offering publicly "as a speculation" an issue of 3,000,000 shares of common stock (par one cent) of Uranium of Utah, Inc. at 10 cents per share.

The principal purposes of the company, incorporated in Oklahoma, are the exploration for uranium ore on its properties in the Monticello Mining District, in San Juan County, Utah; also, exploration of other properties it may acquire.

Two With Allen Inv.

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Darrell G. Chadderdon and Dean H. Horton have been added to the staff of Allen Investment Company, 1921 Fourteenth Street.

FIF Adds Two

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Leonard W. Larson and James W. Lawrence are now connected with FIF Management Corporation, 444 Sherman Street.

Joins Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Paul D. King is now affiliated with Founders Mutual Depositor Corporation, First National Bank Building.

With E. I. Shelley

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William A. Phillips is now connected with E. I. Shelley Company, Ernest & Cranmer Building.

With J. H. Hilsman

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Thomas W. Stewart is now with J. H. Hilsman & Co., Inc., Citizens & Southern Building.

Two With Cabell Hopkins

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga. — Donald A. Fay and Mrs. Elizabeth M. Flournoy have joined the staff of Cabell Hopkins & Co., Columbus Bank & Trust Building. Mrs. Flournoy was formerly with Courts & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Eisenhower displayed an unusual preoccupation with the state of the world in his first address to the new Democratic Congress a week ago, in the document customarily known as the "State of the Union Message."

In opening his message, the President acknowledged that he was addressing Congress, much as any Federal official making an address to some group makes it clear he is talking, say, to the cheese processors instead of the apple growers.

However, the first five closely-written single-spaced pages of his message could well qualify as a "state of the world" message, for he talked about how many treaties recently concluded have forged "new bonds of unity," about the greater need for collective action, about the need for lowering tariffs and promoting American investments abroad, not to provide profitable returns for Americans, but to build up foreign economies. He wants technical aid continued to build up backward countries, a general strengthening of the United Nations, further simplification of customs procedures, and so on.

Even national defense is subordinate to the objective of providing world security. "Our many efforts to build a better world include the maintenance of our military strength," the President stated, and then outlined the broad outlines of his defense recommendations that will help build a better world.

Finally, President Eisenhower indicated that is his firm opinion the political party system of the United States was "on trial" if it didn't carry out his recommendations to improve the state of the world.

On page six of his lengthy manuscript, however, the President did turn to domestic affairs without conceding, however, that he was interested in such affairs primarily for their own sake. He began this phrase by saying that "Our efforts to defend our freedom and secure a just peace are, of course, inseparable from the second great purpose of our government: to help maintain a strong, growing economy," etc. etc.

Would Greatly Liberalize Aged Pay

In the welter of news copy about the President's "State of the Union" (world) message, one revolutionary new proposal was largely overlooked.

There are two programs for paying pensions to the aged. One of these is the contributory "Old Age Insurance and Survivors' Program." The other is the "Federal Assistance Program." Under the former a person submits to payroll deductions before he retires to build up a supposed credit to his individual account. This credit sometimes bears a relationship to his pension entitlement. Under the "assistance" program, the Federal Government contributes a share, and the state a share, twoard a monthly payment for indigent aged.

Supposedly, the contributory scheme was to supplant eventually the free state assistance program. In other words, the old age assistance payment program was to carry over the 1935 and later crop of indigent aged until such time as the contributory program could take over.

It has not worked this way. Partly it has been because the contributory program did not cover large groups of employed. So the argument has been used: Expand social security coverage so as to do away with the assistance program.

Last year Congress expanded by perhaps 10 million the coverage of social security.

With this "reform" on the books, the President now proposes that in addition to the monthly pensions to which old persons are entitled under the contributory plan, they also get assistance payments.

This is something which can cost untold billions per year, and along with many other welfare proposals, can assist materially during the life of the present American society, to guarantee that the Federal government shall never have a balanced budget.

Forget Balanced Budget

As a matter of fact, the Annual Message was notable for dropping any commitment either to balance the Federal budget, reduce expenses overall, or to cut taxes.

The nearest the President came to expressing an interest in tax relief was to express the hope it might be possible next year, while recommending against it this year.

As to budget balancing, the President observed only that "Government efficiency and economy remain essential to steady progress toward a balanced budget." He significantly avoided either stating, as Secretary Humphrey did in December before the Joint Economic Committee, that this was a steadfast objective, or stating that he was for reducing expenditures.

Administration officials have indicated that while they are contracting manpower in the Armed Services, they will step up buying of equipment. And the six-month "bob-tail universal service" or "reserve program" will eat up most or more than the cost of manpower savings.

Thus it appears that military spending will perhaps stabilize at some where around $35 billion, but with civilian spending rising under a legion of welfare programs so ambitious it would take several hundred of words just to outline them.

In other words, the trend of government spending is on the rise, in the net, even if, added to 1954 enactments, Congress takes only a small part of Eisenhower's welfare program.

This does not rule out the possibility of a balanced budget in the next generation. This might come about under two imaginable circumstances:

(1) Franklin D. Roosevelt got elected on a promise of cutting the then $4 billion of Federal spending by 25%, but reversed his program after inaugural. Some conservative might be smart enough to sneak into the White House in the public disguise of a spender and turn the trick in the other direction.

(2) The oligarchy which has conquered the Russian people in the name of Communism and who through Russian power terrorize so much of the timid world, might unexpectedly collapse, remove the menace alleged to exist, and deprive the spenders in the U. S. Government with an excuse to spend $40 billion annually "for the next 50 years" before they could think up other convincing ways of spending money.

Program Is Voluminous

Even though the President's "state of the world" message only added 50 billion or so of new programs to those he outlined in his corresponding message a year ago, the program before the Democratic Congress is enormous.

It would take about 300 words of copy just to list all the pending programs without describing them in any significant detail. The outlook for legislation therefore, as in January, 1953, remains most cloudy, until at least the President eventually tells which of his mail order catalogue of pie-in-the-sky items is seriously meant for 1955 and what is meant for 1956 and succeeding years.

Congress Unpredictable

The situation in Congress is that the President, as one outstanding Democratic leader outlined it, "has come to support us; it is not a case of our supporting him." Yet at the same time the President has, through columnists who speak for the White House entourage, served notice on conservative Republicans that if they won't take his "progressive moderate" program, they can go form themselves a third party.

There is scsarcely a thing in the Annual Message which conservative Republicans see as something they can get their teeth into and back with any genuine enthusiasm.

In theory, the Democrats are supposed to be up a tree; since Ike has plopped for all the stuff they have been advocating and more, they can't be caught sabotaging it. In theory, the Democrats will support such small part of Eisenhower's program as it is physically possible to run through the legislative machine in one session.

In theory, the conservative Republicans have got no place to go, and all the Democrats can do is to try to knock down Ike's standing with the public is by hearings on Dixon-Yates, etc. Such hearings might convince already-convinced "liberals," but amount to not much more than a dog nipping at the pantlegs of an unafraid postman.

Some how this looks like too simple a set of theories. There are some smart men in Congress, even if they are not in a leadership position. Maybe something will give under pressure and it will be interesting.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"You—yes, you!—The old guy on the end!—Can'tcha speak louder—I can hear everybody but you!"

Business Man's Bookshelf

How Our Reserve Banking System Operates—American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper).

Impact On Pension Plans of the 1954 Social Security Amendments — Bulletin — Johnson & Higgins, 63 Wall Street, New York 5, N. Y. (paper).

Loans, Investments, and Interest Rates—American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper).

Minerals in World Industry — Walter H. Voskuil — McGraw-Hill Book Co., Inc., 330 West 42nd Street, New York 36, N. Y. (cloth), $5.75.

Edwin D. Morgan, 1811-1883 — Merchant in Politics—James A. Rawley — Columbia University Press, New York 27, N. Y. (cloth), $5.00.

Planning Your Financial Independence—John E. Leibenderfer —University of Oklahoma Press, Norman, Okla. (cloth), $3.95.

Policy for Skilled Manpower, A —A statement by the National Manpower Council — Columbia University Press, New York 27, N. Y., $4.50.

Stock Market Analysis: Facts and Principles — George A. Chestnutt, Jr. Booklet plus next three weeks of American Investors Service Market Analysis Reports. ($1.00). Ask for CC-101, American Investors Service, Larchmont, N. Y.

Your Investments—Leo Barnes—American Research Council, 11 East 44th Street, New York 17, N. Y. (paper), $3.00.